Amesbury

Mayor C. Kenneth Gray
City Hall, 62 Friend Street
Amesbury, MA 01913-2884

(978) 388-8121
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mayor@amesburyma.gov

March 3, 2014

Joseph W. McMilleon
Council President – Distrcit 5
City Clerk - City Hall
62 Friend Street
City of Amesbury, Mass 01913

Dear Council President McMilleon;

I respectfully submit for Council consideration the attached report and Guidelines titled; "Economic Incentives Strategy an Approach to Leverage Positive Economic Growth". At the March 11th meeting City staff will provide a presentation and several property owners will be represented to begin the process toward adopting the Guidelines contained in the report.

The City has the ability to facilitate change by moving forward as a partner with business. The City can no longer be a witness always waiting for an outcome by others. The TIF program outlined in the attached document is a means to facilitate an outcome rather than waiting for all of the forces of development to perfectly align. Development is an action that will impact the community for decades just as much as no development is a lost opportunity. Given the choice between participating to expedite and shape the outcome, or waiting for serendipity, the clear response is we should move forward.

The danger of a down market is that a community can be tempted to accept anything that will pay taxes. Choosing the first development through the door can alter a community's character forever. The TIF Guidelines can change that pattern by establishing a means to expedite and guide development that the City of Amesbury prefers.

As we move the TIF Guidelines program through the Council I will commit my staff to provide the technical support to form the partnership between my office and the City Council. I have asked the Deputy Director of Community Development to lead this issue and he has provided the report, guidelines, and a possible schedule for review of the Guidelines in his attached correspondence. Further I would like to call your attention to the many letters of support from business representatives who are key to the City's economic future. I am confident that this City wants economic expansion. This proposal is a means to address our need for a strong economy further unifying the community behind an issue in which there is accord.

I believe it was Will Rogers who said: "even if you are on the right track you will get run over if you just sit there". The time to move forward is clearly evident by the support of the private sector, now is the time to match that support and become partners to move the City toward successful economic outcomes. The attached document is a means to proactively create economic transformation.

As always I look forward to an informed process where we work in unison to reach the best outcome possible.

Sincerely,

Ken Gray
Mayor

Enc: Letter Deputy Director RE TIF Guidelines
Letters of Support
Economic Incentives Strategy Report

Amesbury

William Scott
Deputy Director Office of Community Development
City Hall, 62 Friend Street
Amesbury, MA 01913-2884

(978) 388-8110 - 313
scottw@amesburyma.gov

February 28, 2014

Mayor Ken Gray
City Hall
City of Amesbury
62 Friend Street
Amesbury Massachusetts 01913

Dear Mayor Gray,

The attached report titled The City of Amesbury, Economic Incentives Strategy, An Approach to Leverage Positive Economic Growth, March 2014, is a proposal to establish Guidelines related to the use of the Tax Increment Financing (TIF) program, and in this regard it is also an educational document to set the background for the program. The State enables the TIF program through the Massachusetts Economic Development Incentives Program (EDIP). Many communities have established guidelines to create the necessary policy to provide outcomes targeted to local needs.

The adoption of the guidelines does not in any way establish a tax incentive for any property. The areas indicated for preferred locations does not change the zoning or land uses in those areas. The regulations in those areas are intact. Separate applications, often referred to as a TIF plan must be applied for within the process and criteria of the guidelines, before an incentive is issued.

The Guidelines provide the means to market a consistent program to the private sector. Without guidelines the first applicant for a TIF incentive often becomes the educator and basis for policy development. Further, the community attempts the difficult task of altering policy with the first, and each subsequent application. Guidelines can proactively create a process that is consistent and equitable which is ultimately a preference of both the City and private sector.

In the case of the Amesbury Guidelines the tax incentives can reduce the financial impacts of development constraints, produce more favorable development, and expedite development timing to the advantage of the City. The important aspect to the TIF program is that there is no loss of the base value, the existing values and tax revenue are sustained. It is only the new value that is impacted by the tax incentive of which a portion provides financial leverage to create quality and expeditious projects.

Beyond expediting economic growth the important factor to consider is the quality of projects. Regulations often guide development to create outcomes that minimize impacts. However, not all of the aspects of development can be regulated. The projects we prefer in the City can be more costly to develop, or have thinner margins, which requires incentives to overcome development costs. If the combination of market forces and site constraints prevent better development projects the City is faced with taking whatever the market and a site can support. The TIF can set the stage for negotiations to expedite high quality development. The result is a fiscal partnership to guide development to a project the City prefers while obtaining new revenue the City requires to diversify the tax base.

The attached document is structured into two principal sections Chapter One outlines the Need for Incentives, and Chapter Two Proposed Guidelines for Incentives. The first section outlines the need for tax base diversity by establishing the premise of partnership to overcome site constraints. The first section also provides examples through which the development constraint rational nexus can is explained to demonstrate how each party obtains a positive outcome and constraints are addressed to expedite development.

The second section, the Guidelines, is the document that the City Council will be asked to adopt. The State of Massachusetts has principal jurisdiction over the TIF process. Therefore, the Guidelines section includes verbatim language which is required by the State process to coordinate the outcome within the requirements of State Law and EDIP process. The application forms and rules of order regarding the review process will occur with the aid of the Incentives Committee as established by the Guidelines.

The Guidelines provided in Chapter Two of the document proactively establish the opportunity through which the private sector can rely on a consistent tool for growth while the City can achieve higher level outcomes based on a rational, workable, policy. The guidelines also establish a rational nexus for incentives under which applicants will be required to prove the need for funding and demonstrate a positive outcome for the City.

The format that municipalities across the State have chosen is the adoption of a local policy document and not an ordinance. The State legislation does not require a municipality to establish local ordinances as a means to codify TIF guidelines in local laws. Therefore, municipalities have created guidelines and adopted the documents as policy which establishes the local process and parameters to issue local approval. Enforcement of the TIF program is established through the required local TIF agreement, commonly referred to as the TIF Plan, executed between the municipality and the applicant and the State Laws as they may be applicable.

I have respectfully outlined the attached schedule. Please understand we will work within any process that the Council deems appropriate and the attached is only a recommendation to facilitate coordination and sequencing of the Guideline components.

The attached document has been through several iterations working with many of the businesses indicated in the letters of support. In keeping with the partnership approach, this document is the result of a collaboration to achieve an outcome that benefits both the City and business community. The City acting as a financial partner with business positively alters the development paradigm as the City now becomes a facilitator of economic growth.

I will provide a presentation to the Council on March 11th as an outline for the document. Subsequent to the March 11th meeting I will develop the interim documents and any amendments the Council may require to enable adoption.

Sincerely,

William J. Scott

Recommended Process for TIF Guidelines Review by Council

The below schedule is a recommendation to include all of the parameters of the TIF Guidelines. Please understand we will work within any process that the Council deems appropriate and the below is only a recommendation to facilitate coordination and sequencing of the Guidelines components.

1. Presentation March 11th City Council: This presentation will provide an overview to the Council and demonstrate the support by key property owners for the program. The intent is to set the stage for dialogue. This meeting does not require that the Council immediately engage in the decision process on the first evening.

2. Ordinance Committee Tuesday March 18th and/or Finance March 25th: With permission of the Council the Deputy Director of Community Development will be available, at either or both meetings, to respond to questions and provide information. At this meeting the draft language for the Council Order, and excerpted Guidelines document, separate from the report, will be provided. At this meeting the Council may want to discuss the appointments for the Committee as indicated in the Guidelines, section 7 a, page 23.

3. Council Meeting April 8th, First Reading: This would be the first reading of the order and a review of ideas, needs, and amendments as maybe expressed by the Council at the above meeting. The Council may also want to officially enter the appointments for the committee. By paralleling the appointments with the adoption of the Guidelines the program can begin with the conclusion of the adoption.

4. Council Meeting May 13, Second Reading: Any amendments to the Guidelines will be provided by staff in the packet for this meeting. It is hoped that the Council will vote to adopt the Guidelines and also establish the appointments to the Committee. The adoption should establish a date certain in the near future as the effective date. This will provide the committee with the ability to establish a working relationship with the Guidelines and adopt bylaws for rules and applications forms before an application is considered. Therefore it is recommended to consider Monday June 2, 2014 as an effective date.

Letters of Support

Amesbury Economic Incentive Strategy

Amesbury
Chamber of Commerce
& Industrial Foundation

Mayor C. Kenneth Gray
City of Amesbury
City Hall
62 Friend Street
Amesbury Massachusetts 01913

Dear Mayor Gray

The Board of Directors of the Amesbury Chamber of Commerce & Industrial Foundation, Inc., representing 240 businesses and their employees, has voted to support the Economic Incentives Strategy, as outlined in the report *"Economic Incentives Strategy, An Approach to Leverage Positive Growth"*, which was presented to the Board at our regular meeting on January 30th, 2014. The Board of Directors is encouraged by this positive step toward creating opportunities for business growth.

As a participant in the process to develop the report, I can personally attest to the opportunities for participation that focused the outcome on establishing a practical approach to economic incentives. The Tax Increment Financing (TIF) program is a means for the City to become a true business partner and facilitate economic expansion. The program creates new tax revenue for the City, serves the business community by providing financing opportunities, all without impacting current tax revenue. The TIF Guidelines, outlined in the report, will set the stage for a consistent and equitable approach which is based on common sense investment strategies to address constraints that have hampered economic opportunities in the City of Amesbury.

The Amesbury Chamber is committed to work with the City to encourage and market the Tax Increment Financing program as means to enable expedited and progressive economic growth.

Sincerely

Paul J. Gagliardi, Chairman of the Board

Amesbury Chamber of Commerce

5 Market Square • Amesbury, MA 01913 • 978.388.3178 • www.amesburychamber.com • chamber@amesburychamber.com

ARC TECHNOLOGIES, INC.

February 27, 2014

Mayor Ken Gray
City Hall - City of Amesbury
62 Friend Street
Amesbury, Massachusetts 01913

Dear Mayor Gray:

Arc Technologies continues our 26 year commitment to the City of Amesbury providing 130 jobs and $256,000 in annual taxation. Actually, our commitment is expanding as we establish new facilities on South Hunt Road, and open new opportunities for development in the downtown.

I am encouraged by the efforts of the City as expressed through the Economic Incentives Strategy and the TIF program. This program represents an opportunity to expedite growth and create incentives, attracting optimum tenants for our company and the City.

For many of us in the private sector this is a clear winner, both for the City and the business community. With this program, we can take proactive steps and use incentives to move projects forward in the present, rather than wait for prospects.

Thank you for the opportunity to take part in the development of the TIF guidelines. We look forward a positive outcome enabling us to work with the City in financial partnership; addressing the constraints, and realizing the opportunities of economic growth.

Sincerely,

Daniel P. Healey III

Dan Healey III
Chief Executive Officer

37 South Hunt Road • Amesbury, MA 01913
PH (978) 388-2993 • Fax (978) 388-6866
www.arc-tech.com

Boston North Properties

110 Haverhill Road, Suite 100, Amesbury, MA 01913
Phone: 978-388-6766 Fax: 978-388-6769

February 28, 2014

Mayor Ken Gray
City of Amesbury
62 Friend Street
City Hall
Amesbury Mass. 01913

Dear Mayor Gray:
As the managing partner for the 150,000 plus square foot Boston North Technology Park, I am writing to offer my support for the Economic Incentives Strategy, specifically the TIF guidelines.

The Boston North Technology Park continues to be a crucial economic asset to the City of Amesbury, and the TIF program can provide our facility with the leverage necessary to create new growth. Boston North Technology Park offers both light industrial and professional office space dedicated to high-quality, professional service, and the establishment of ongoing, mutually beneficial tenant relationships. It is our commitment to the facility and the City that drives our continued desire to attract high quality tenants which, in turn, requires that we invest in the property. Faced with a tight real estate market and the high cost of construction, the TIF program can help meet those goals and increase benefits to the City.

When we have exhausted every investment avenue to make a crucial project work, we hope to count on the consistency that the TIF Guidelines can provide to leverage new growth. I look forward to working with the City in a new capacity as partner facilitating positive economic growth.

Sincerely,

Wayne P. Capolupo

Civil / Sanitary · Municipal Planning · Land Survey
Est. 1975
CAMMETT CE ENGINEERING

Woodbury C. Cammett, PE *MA, NH*
Fred V. Ford, PE *MA, CPESC, CPSWQ*
Robert E. Smith, PLS *MA, NH*
Denis Hamel, *CPESC*
Jim Babbin, SIT

Consulting Engineers and Land Surveyors

February 28, 2014

Mayor Ken Gray
City Hall
City of Amesbury
62 Friend Street
Amesbury Ma. 01913

Dear Mayor Gray,

As the principal for Cammett Engineering for over thirty six (36) years, and a property owner in the Golden Triangle, I can attest to the many economic development opportunities throughout the City of Amesbury. These opportunities are often faced with site constraints and a real estate market that limits opportunities for positive economic growth.

Every new development encounters obstacles that requires more investment to create viable projects. The projects with the highest return, for both the developer and City, often require the greatest demand for investment. We can choose to invest together to expedite the development we desire, or we can wait until the market rises to the level that provides the revenue to address site limitations. We have been waiting for the latter for too long.

As a participant in the process to develop the report I am confident that the Economic Incentives Strategy and the use of the TIF program can be a positive tool to close the gap between the site investments necessary and the limitations of the market. There are many examples of plans, studies, and regulations that are meant to aid and expedite economic development. In reality, financial investment is the primary tool that is necessary to leverage growth. The promulgation of TIF guidelines will create the level of confidence in the development community that there is a program with a preferred direction.

The question before the City, should we continue to wait for the perfect storm of developer, site, and market, or should we invest in a future by taking action today. The TIF guidelines provide the City with a rationally based path to move forward today.

Sincerely,

Woody Cammett

Woody Cammett

W.C. Cammett Engineering, Inc.
297 Elm Street ▲ Amesbury, Massachusetts 01913
Telephone: (978) 388-2157 ▲ Fax: (978) 388-0428
www.cammett.com

February 28, 2014

Mayor Ken Gray
City of Amesbury
City Hall - 62 Friend Street
Amesbury Mass. 01913

Dear Mayor Gray

As a principal representative for about 80 acres of prime commercial property known as the "Golden Triangle" our development team has experienced many close opportunities to redevelop the property over the years. We have created multiple development options and studies. One such analysis, excerpted in the Economic Incentives Strategy report, indicates the possibility of $129 million in growth. After decades of unfulfilled possibilities we are encouraged by the realistic opportunities that the Economic Incentives Strategy and the TIF can provide.

Many in the real estate industry would agree that there are not many large parcels with such positive highway access. The site is known to be a regional location. However, as we turn the corner on a difficult economy sites such as the Golden Triangle often need an incentive to attract the type of development the City and our development team prefers.

The advantage of the Economic Incentives Strategy, is the ability to move from choosing any development to leveraging a preferred development by providing incentives to make projects financially suitable.

The alternative; more years of waiting for the perfect market, and hoping for the perfect development. The TIF can move us beyond the waiting to bring the future of possibilities to a present of realistic options.

Thank you for the ability to take part in the development of the guidelines, this is a document that truly meets the needs of our development team and the City.

Sincerely

Herb Sears

Herb Sears

14 cedar street

Mayor Ken Gray
City of Amesbury
62 Friend Street
City Hall
Amesbury Mass. 01913

Dear Mayor Gray, February 28, 2014

As the owner, manager, and developer for 14 Cedar Street I am writing to offer my support for the Economic Incentives Strategy specifically the TIF guidelines. The City is in the midst of a wonderful transition from vacant mill buildings to a mix of arts, culinary, high tech, and residences. In the past year alone 33 culinary businesses have started working out of "Kitchen Local" a shared use commercial kitchen and they are only one unit out of the 66 located in my building. The current construction of 48 units by Chinburg Builders at 20 Cedar Street is evidence that success is contageous.

This transition does not come easily, quickly or cheaply. I like to think of my facility at 14 Cedar St. as a true incubator, providing affordable and sustainable work space for small businesses to begin and grow. We are ready for the next phase of planning and construction to complete the facility so that it will continue to support and grow the small creative business niche that I believe is the future of a profitable Amesbury.

When you are a facility that incubates new business the capitalization of that effort requires multiple sources of funding. I have investigated funding opportunities from programs such as the Massachusetts Cultural Council and Mass Development and find that the TIF program provides promise as an essential component of the overall financing picture. For new businesses and those seeking to expand we can provide the facilities they need with the help of a TIF incentive. This wonderful transition of former mill buildings continues to be a crucial economic asset to the City of Amesbury, and the TIF program can provide our facility with the leverage necessary to create and sustain new growth.

History will repeat itself as we transition former mill space into the thriving economy that was the foundation for the City of Amesbury. I look forward to the true partnership with the City that the TIF program will provide.

Sincerely,

Barbara Lorenc

Barbara Lorenc

FOUNDED 1936

Bartley

BARTLEY MACHINE & MANUFACTURING COMPANY, INC.

February 27, 2014

Mayor Ken Gray

City of Amesbury

City Hall, 62 Friend Street

Amesbury Massachusetts 01913

Dear Mayor Gray

As a longtime property owner of 8.5 acres of industrial real estate in the Lower Millyard, I have been working with Amesbury to redevelop my property along with others. The Carriage Hill Landing plan http://www.reinvestinc.com/amesbury/pages/basic_data.html was created by a team of experienced developers, urban designers, and architects. The plan was presented to the City of Amesbury and became a catalyst for the Lower Millyard Overlay District zoning. Our project and the Lower Mill Yard project sets the foundation for redevelopment, however we now need to establish the financial means to guide development to the uses the City prefers and establish viable projects in a difficult market compounded by problematic sites.

I thank the City for working with property owners, and as an active contributor I can attest that the Economic Incentives Strategy report represents a realistic tool for redevelopment. The Tax Increment Financing (TIF) program is a means for the City to become a true business partner and facilitate economic expansion. Given the complexity of the TIF program the guidelines will provide the basis for uniformity, a rationale nexus, reliability, and equity in the process.

New tax revenue for the City, no loss of current tax values, and the ability to expedite high quality tenants, these are clearly positive outcomes that benefit both the City and the private sector. This program and these guidelines are a progressive method to enable the opportunities of the present toward expediting a positive economic future.

Sincerely,

Rick Bartley

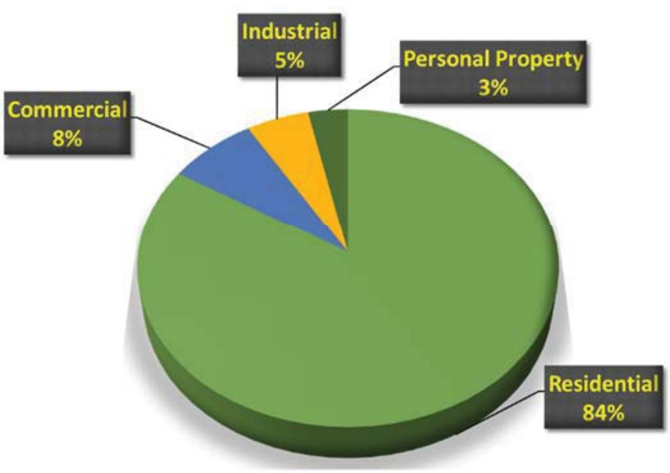
President,

Bartley Machine & Mfg. Co. Inc.

The City of Amesbury
Economic Incentives Strategy
An Approach to Leverage Positive Economic Growth
March 2014

Mayor Ken Gray

William Scott
Deputy Director
Office of Community and Economic Development
City of Amesbury
scottw@amesburyma.gov



Amesbury Assessed Values 2011

Notice of Information Source and Amendments

This report is issued at the March 11th City Council meeting, by delivery on March 3rd to the City Clerk's Office, and posted to the website http://www.amesburyma.gov/. If the report appears in other locations please refer to the report posted on the City website for updates, supplementary material and/or amendments.

Chapter One: The Need for Incentives

1. Introduction Leverage to Diversify

The chart on the cover outlines the 2011 assessed value for the City of Amesbury. While other communities have a similar predominance of residential uses, they may have a lower population and therefore less service demands; or, in demographically comparable communities, they may benefit from higher property values, which translates into greater revenue to manage the demands of a resident population. One could debate the finer points of municipal comparisons without a realistic conclusion, other than the obvious that each community is different. The primary issue is the need to diversify the City's land use to create a broader diversification of the tax base from a predominately residential burden. Residential land use is not the bane of municipal services, however, it creates the greatest cost when compared to all of the sectors outlined in the chart. Economic development, in these situations, should diversify the tax base to create sources of revenue beyond the predominant reliance on the residential sector. As diversity is considered the creation of jobs, provision of commercial services, the development of a business mix that provides a ripple effect for other businesses, all become factors that create both diversity and a higher quality of life. Economic development does not need to become the desperate act of accepting any business in an economic storm. Leverage is a key factor in obtaining the best outcome for the City. This paper outlines how tax incentive leverage can achieve better results for economic growth.

2. Mutual Goals

As far back as September 17, 1998 the Town of Amesbury completed the "Economic Diversification Strategy", which was followed by the "2002 Redevelopment Plan - Lower Mill Yard". In 2007 the Golden Triangle study articulated the development potential of properties adjacent to I-495 and I-95. Both the Millyard and the Golden Triangle areas represent development opportunities facing constrained sites. The Lower Mill Yard currently offers a collection of viable businesses amongst underutilized, and, in some cases, abandoned mill buildings, some with brownfields, many served by narrow streets with poor access. The Golden Triangle is open land that requires roadway improvements, connections to local roads, and mitigation of environmental constraints in order to fully utilize the site. The development constraints, in the Lower Mill Yard and the Golden Triangle, limit development potential for the highest and best users, and, as a result, those development opportunities require more aggressive financial approaches.

There is one reality of development that is constant: growth is dependent on the physical and financial viability of the available sites. Those seeking development sites want a location that meets their needs as expressed in a cost effective project with no surprises. Sites with extraordinary costs, such as off-site traffic improvements, brownfields, and environmental constraints, generally do not attract development proposals. IN addition a community with lower market values limits the ability for substantial investments as the revenue will not be apparent. Having a clearly detailed picture of the additional costs associated with development, in combination with responsive funding mechanisms to overcome those costs makes a site far more attractive. While business wants readily developable sites, the City needs businesses that respond to criteria such as: additional tax revenue, minimal municipal service impacts, a business mix that meets the needs of the community, and job creation. These two needs, site suitability for the developer, and preferred land use for the City, are not mutually exclusive; in fact, they align well when the correct programs are established.

In all of the redevelopment studies there is a recommendation for local financial incentive programs to create economic opportunities. In addition, each analysis outlines generally the impediments to development and the capital improvements necessary to facilitate growth. Studies often segregate the documentation of site constraints separately from the financial opportunities. This report recommends that a connection is inevitable if economic growth is a goal of the City. The City can provide financial tools to offset site constraints with the provision that public funding is only available under preferred conditions. If regulations are the stick, the City can establish the carrot toward a higher performing local economy.

Additional tax revenue, minimal community impacts, business mix preferred by the community, and appropriate job creation are crucial criteria in achieving the correct land use mix for the City. Understanding the land uses that create negative cost impacts, and minimal tax returns, provides a better cost benefit picture for qualifying preferred business. Understanding the labor pool and the relationship to a preferred business mix can guide the development to create jobs for those already in the community and region. With incentives the developer can target uses that meet the needs of the community: however, a preferred land use might not leverage enough capital to fund the site improvements. For example big box retail, or a casino, is normally sufficiently capitalized to address just about any site constraint, yet manufacturing or office uses often require incentives to overcome constraints. An incentives package should target the capital needs of a preferred project to tie the incentive to level the playing field to attract uses that the community needs and prefers. Therefore, the program is not an outright subsidy, but rather the incentive program becomes a tool to overcome constrained sites so that the City can attract the land uses that are preferred. This section does not advocate the development of a list of preferred uses. The best approach to attracting preferred businesses is to create criteria which outline the required outcomes of those uses and then review each application on its own merits.

3. Negotiate Ahead of the Development

One major mistake many communities make is moving from one economic target area to the next, creating capital plans and incentive programs with each opportunity at the last minute: the “whack a mole” method of economic development. General redevelopment planning documents create global recommendations without the specifics necessary for implementation. They are good guidance for regulations, but lack the detail for financing plans. Details on the project costs to “get the building out of the ground” are necessary to determine project feasibility. Many projects cannot determine those costs until the permitting phase because of the possible site constraints or conditions placed on the project by the community. Projects are normally vetted by the developer months before applications are filed with the City. As a result, the developer may be in the midst of their timetable, yet to the City, the developer is in the beginning. Unless the community and property owners develop possible scenarios that lead to identifying more detailed costs, which provide the foundation information for financing plans; then both the permitting and financing plans become rushed and arduous negotiations, within the hastened, private sector development’s timetable. Implementation occurs within the blink of a private sector eye, and often the tools are not available, and, in many cases, the preferred developer is not willing to wait. Therefore, if the City and the development community assess the development needs for sites and the associated capital planning necessary prior to proposals, then many of the issues could be vetted, so that both parties can be ready to move forward when a proposal comes forward. The project can move quickly toward establishing the development and financing parameters. These parameters then become part of a financing plan, targeting the needs to the desired outcomes. Essentially, the City should have a clear financial approach and that both permitting and financial negotiations should occur well before development proposals are officially considered.

4. The Capital Plan: What should we leverage?

In a small City, such as Amesbury, the condition of historic buildings, limited infrastructure, historical brownfields, and dense urban conditions of a former mill community require additional investments to make a site viable. Beyond the limitations of downtown mill space, other sites face additional limitations such as wetlands and limited infrastructure access, major brownfield sites, and former landfills. Given these conditions, the City of Amesbury needs to address the extraordinary costs of development which limit the communities’ ability to compete. Essentially, the City needs a general financing approach tied to the improvements necessary to make a site competitive for development by preferred uses. Many developments bog down in the implementation of the traffic, roadway, utilities and environmental mitigation. The permitting for off-site roadway improvements can create a vortex few developers wish to address. The mitigation for environmental constraints is often a battle drawn on wetlands’ lines which ca become a more regional storm-water management issue. The creation of a capital plan should include the large-scale, off-site improvements necessary to make the project viable. Other improvements such as: drainage connections to off-site sources, detention, bridges and larger infrastructure should be components of the capital plan. The capital plan should be developed to a preliminary plan level, tied to a preferred buildout, with cost estimates, permitting requirements, and timelines. This level of planning provides an expeditious outcome for developers who come into the project knowing the primary development costs and timetable. With sufficient detail in the capital plan, the City can determine the funding schedule and the amount of incentives necessary to facilitate economic growth. The outcome is a clear picture of the investment necessary and the return on that investment for the City.

5. Targeting the TIF to Extraordinary Costs

The amortization of project costs through a municipality is traditionally done through Tax Increment Financing or a TIF. The TIF program is a financial tool that provides a community with a competitive edge to attract business. The TIF program allows a reduction of taxes for the value of the new development improvement, called the incremental increase, and not for the current values of the property, the base value. The current taxes on the property are not lost, only the taxes on the additional new value are impacted, in this proposal by reallocation to cover extraordinary development costs. The incremental increase is represented by the improvements made to a property which are necessary to create the economic opportunity. The tax incentive can run for a twenty-year period. This report advocates that the TIF program be used to provide capital, by all allowing the development to relocate a percentage new tax payments to mitigate the costs associated with items such as: utility installation, additional costs to address derelict properties, for amortizing equipment costs, or an incentive to create a competitive site when compete with other sites outside of the community. The use of a TIF as a simple reward for locating in a community is not the investment approach that creates a partnership. The better option is the use of a TIF to make a project work financially, to overcome extraordinary costs and share in the burden and reward. A TIF allows the growth to happen sooner as the incentive changes the financial viability of a site. A community can choose to provide capital through tax relief to amortize extraordinary site costs and receive a portion of the new growth now (not losing any of the current taxes). This places the development in the hands of the City as a partner as favorable opportunities arise. The alternative, the community can hope that a White Knight will someday arrive to overcome the site constraints that no-one else has been able to address, over a decade or more, and develop the site without incentives. Does the City want uses it prefers now, with increased tax revenue, or the hope of opportunities unknown?

To create support for a TIF program and incentivize key sites, the City should target the sites which can create tax growth, and have been limited over the years by on-site and off-site constraints. Additionally as growth fills major development sites, the prospect of higher level economic development, for existing marginally developed sites, should be a continued consideration for incentives. In this regard, there are three essential categories that address larger sites and smaller opportunities as follows:

1. Off-Site Constraints: Sites which require traffic, sewer, water, drainage, and other offsite costs to make the project work would receive a TIF to amortize those costs. (See Off-Site Example Below).
2. On-Site Constraints: A lowered valued site constrained by code problems, structural issues, utilities, brownfields, soils, wetlands, and other limitations would receive a TIF to amortize the costs associated for the mitigation of these extraordinary issues. (See On-Site Example Below).
3. In-Site: This is a unique category that requires some additional consideration to determine a financing approach. The In-Site category would provide funding for tenant fit-ups or equipment upgrades where the improvements will generate a greater value than the current property values, and the prospective high value tenant would provide a substantial benefit to the site and community. (See In-Site Example Below).

6. The Examples

The TIF program is common but not always simple to explain. The multitude of projects and scenarios can be expressed by using the above three categories to explain the program with common project scenarios. The following three examples are hypothetical. While the examples are not actual properties within the City there are relatable issues within each example. The assumption in each example is that the savings afforded each company is used to leverage financing, or cash on an incremental basis, that would have been paid in taxes, to address extraordinary site costs. While the examples provided are an even distribution of the amortization of the costs for simplicity, it is more likely that a graduated system of higher tax incentive in the first years leading to a reduction to zero incentives at the end of a negotiated term. The TIF schedule of tax incentive percentage is part of the overall negotiation process. The first two projects provide two alterative distributions of the TIF benefit with longer and shorter term examples.

6a. Off Site Constraints – Jane Doe Corporation – New Building :

To demonstrate the TIF program, the below spreadsheet outlines a hypothetical development scenario for a new building at a site with off-site traffic needs. In this case, the existing property value is $750,000 (base value), which generates a tax payment shown in column "A" at the current tax rate $20.24 with a 2.5 % escalation per year. The Jane Doe Corporation (JDC), a medical office developer, is now considering constructing a new 30,000 square foot development that will raise the value to $7,000,000, which represents an incremental increase of $6,250,000 and a tax payment outlined by column "B". The project will create 40 additional jobs and create a ripple effect to other areas of the local economy equivalent to 90 jobs. The JDC wants to develop the site; however, after all of the financing and site costs they cannot cover the additional $600,000 in costs associated with off-site road improvements to construct a necessary intersection for site access. The JDC finds that the roadway costs will drive them to look elsewhere. This same conclusion, regarding site suitability and costs, was determined by AnyCity in their TIF district planning for the site. As part of the City's due diligence, to establish the TIF District, the City calculated numbers on the site to assess the viability of the project and a TIF incentive.

Tax Increment Financing Example 15 Years - Offsite Investments

		A	B	C	D	E
# Yrs	Year	Tax Pre Development	Tax Post Development	Incremental Increase	Tax Reallocation To Capital Plan Cost	Est Tax added with TIF
1	2014	$ 15,180.00	$ 141,680.00	$ 126,500.00	$ 31,625.00	$ 94,875.00
2	2015	$ 15,559.50	$ 145,222.00	$ 129,662.50	$ 32,415.63	$ 97,246.88
3	2016	$ 15,948.49	$ 148,852.55	$ 132,904.06	$ 33,226.02	$ 99,678.05
4	2017	$ 16,347.20	$ 152,573.86	$ 136,226.66	$ 34,056.67	$ 102,170.00
5	2018	$ 16,755.88	$ 156,388.21	$ 139,632.33	$ 34,908.08	$ 104,724.25
6	2019	$ 17,174.78	$ 160,297.92	$ 143,123.14	$ 35,780.78	$ 107,342.35
7	2020	$ 17,604.15	$ 164,305.36	$ 146,701.22	$ 36,675.30	$ 110,025.91
8	2021	$ 18,044.25	$ 168,413.00	$ 150,368.75	$ 37,592.19	$ 112,776.56
9	2022	$ 18,495.36	$ 172,623.32	$ 154,127.97	$ 38,531.99	$ 115,595.97
10	2023	$ 18,957.74	$ 176,938.91	$ 157,981.17	$ 39,495.29	$ 118,485.87
11	2024	$ 19,431.68	$ 181,362.38	$ 161,930.69	$ 40,482.67	$ 121,448.02
12	2025	$ 19,917.48	$ 185,896.44	$ 165,978.96	$ 41,494.74	$ 124,484.22
13	2026	$ 20,415.41	$ 190,543.85	$ 170,128.44	$ 42,532.11	$ 127,596.33
14	2026	$ 20,925.80	$ 195,307.44	$ 174,381.65	$ 43,595.41	$ 130,786.24
15	2027	$ 21,448.94	$ 200,190.13	$ 178,741.19	$ 44,685.30	$ 134,055.89
		$ 272,206.65	$ 2,540,595.37	$ 2,268,388.72	$ 567,097.18	$ 1,701,291.54
				(C-A)	(C*tax reallocation)	(C-D)

The JDC proposal is found to be a preferred land use by AnyCity for their intended location, and is therefore eligible for the TIF based on the City's plan. The site has been vacant for a decade and is collecting a minimal return for taxes as outlined in column "A". Several White Knight developers have made promises over the years, however they were for uses which did not provide the City with positive tax and job creation benefits. To determine the appropriate amortization schedule for the $600,000 in off-site road work, the City calculated the numbers with JDC and found that the reallocation of 25% of the incremental increase (column "C") to a debt payment by JDC will amortize the road work over 15 years (close at $567,097.18 sum of column "D"). Further, AnyCity found that the taxes, over the fifteen-year period, <u>without the development will only be $272,206.65</u> (column "A"), <u>as compared to $1,701,291.54 which will be added to that base revenue</u> (column "E"). This represents an increase in taxes over that period of $1,429,084.90 even with the TIF incentive taken out of the revenue. The TIF is a 15-year term, according to the spreadsheet. The City took the JDC proposal a step further, and calculated the benefit beyond the TIF, and into the period where the benefit to the company will cease, where the taxes are paid in full. Based on the AnyCity analysis, after 25-years the taxes on an undeveloped site (no JDC proposal) the revenue would be $518,514.86. The taxes with the TIF for 15 years, and then no TIF for the next ten, would be $3,753,859.96. Obviously the difference between those two numbers jumps, as the tax incentive ceases in year fifteen, and for the following ten years the full tax bill is paid. This is the benefit of the TIF; the City gets the proposal it wants, and it receives a site development sooner than what might occur without the incentive. Therefore, any taxes paid over the undeveloped site is better than no activity on the site.

AnyCity has established Economic Incentive Guidelines which outlines the parameters of a typical agreement; so, the parameters of the TIF are evident and not a surprise to JDC when the negotiations for the incentive occur. First, the City wants JDC to guarantee that the land use proposed will be sustained for the term of the TIF, within the first five-years the JDC will hire an additional 40 employees as planned, and finally, and more important, that the JDC will build a project, as proposed, which will result in a property value equal to, or exceeding, $7,000,000 within three years of the agreement, and finally, the TIF begins in the tax year in which the occupancy permit is issued.

Shorter Term Front Loaded Example

Using the above example and assuming the same numbers, the adjacent spreadsheet provides a shorter term and front loaded benefits. The example provides a full tax incentive for the incremental increase in the first three years, and in the next year 75% and the last and fifth year 50%. Resulting numbers are similar except that the term is shorter and AnyCity obtains the full tax that much sooner. It also shortens the amortization down to a reasonable business friendly term of five years. The key item to remember is that there is no tax break on the existing value the original tax already paid (Column A) which remains as an obligation. It comes down to what term works for both parties.

Tax Increment Financing Example 5 Years Front Loaded - Offsite Investments

# Yrs	Year	A Tax Pre Development	B Tax Post Development	C Incremental Increase	D Tax Reallocation To Capital Plan Cost	E Est Tax added with TIF
1	2014	$ 15,180.00	$ 141,680.00	$ 126,500.00	$ 126,500.00	$ -
2	2015	$ 15,559.50	$ 145,222.00	$ 129,662.50	$ 129,662.50	$ -
3	2016	$ 15,948.49	$ 148,852.55	$ 132,904.06	$ 132,904.06	$ -
4	2017	$ 16,347.20	$ 152,573.86	$ 136,226.66	$ 102,170.00	$ 34,056.67
5	2018	$ 16,755.88	$ 156,388.21	$ 139,632.33	$ 69,816.17	$ 69,816.17
6	2019	$ 17,174.78	$ 160,297.92	$ 143,123.14		$ 143,123.14
7	2020	$ 17,604.15	$ 164,305.36	$ 146,701.22		$ 146,701.22
8	2021	$ 18,044.25	$ 168,413.00	$ 150,368.75		$ 150,368.75
9	2022	$ 18,495.36	$ 172,623.32	$ 154,127.97		$ 154,127.97
10	2023	$ 18,957.74	$ 176,938.91	$ 157,981.17		$ 157,981.17
11	2024	$ 19,431.68	$ 181,362.38	$ 161,930.69		$ 161,930.69
12	2025	$ 19,917.48	$ 185,896.44	$ 165,978.96		$ 165,978.96
13	2026	$ 20,415.41	$ 190,543.85	$ 170,128.44		$ 170,128.44
14	2026	$ 20,925.80	$ 195,307.44	$ 174,381.65		$ 174,381.65
15	2027	$ 21,448.94	$ 200,190.13	$ 178,741.19		$ 178,741.19
		$ 272,206.65	$ 2,540,595.37	$ 2,268,388.72	$ 561,052.73	$ 1,707,336.00

What are the lessons from the above example?

1. Capital Planning: The capital plan helps determine the site suitability. The City should have an understanding of the capital plan for the proposed sites and districts to assess the demand for the incentive.
2. Minimum Incremental Increase: The TIF must encourage a minimum percent Return On Investment (ROI) for the City, above the tax revenue received from the current undeveloped site. A development with a low incremental increase (difference between current value and new value), and high site costs, will not create a high ROI during the TIF period.
3. Pay Me Now: The sooner you establish the TIF, the longer the financial return, and the quicker you develop the site and amortize the expenses.

4. No TIF, More Waiting: With ten years of no development, the above site has a clear history of not moving forward. Without the TIF there is no development, without the development there is no revenue increase.
5. No Gifts: The above methodology, which employs the TIF to offset off-site development costs, does not create an incentive based on goodwill alone. The revenue from the TIF will create new value, through the improvements, and the revenue will overcome specific development obstacles that have prevented the development. In essence, it is not a handout, and, it is unique to each development, therefore not applicable everywhere, or for any use, in the City.
6. Investment Partner: AnyCity understands that the sites within the City require some form of capital offset to make a project work. The use of a TIF will make an investment in the City's economy more competitive.
7. Agreement: AnyCity has enacted Economic Incentive Guidelines that outlines the typical parameters which makes the agreement with JDC a known quantity at the beginning. No one is setting the stage late in the process, and both the elected officials and municipal staff understand the limitations and parameters moving forward.

6b. On-Site Constraints – John Doe Corporation – Existing Mill Building with Site problems

To demonstrate the TIF program under the circumstances where the costs are on-site issues, the below spreadsheet outlines a hypothetical development scenario. In this case, the existing property is dilapidated building with a total property value of $400,000, which generates a tax payment shown in column "A" at the current tax rate $20.24 with a 2.5 % escalation per year. The Downtown Development Corporation (DDC), intends to redevelop the downtown building for the high-tech research and development company Innovation Inc., to the extent that the improvements will raise the value to $6,500,000, which represents an incremental increase of $6,100,000 and a tax payment outlined by column "B".

Tax Increment Financing Example 15 Years - Onsite Investments

		A	B	C	D	E
# Yrs	Year	Tax Pre Development	Tax Post Development	Incremental Increase	Tax Reallocation To Capital Plan Cost	Est Tax added with TIF
1	2014	$ 8,096.00	$ 131,560.00	$ 123,464.00	$ 55,558.80	$ 67,905.20
2	2015	$ 8,298.40	$ 134,849.00	$ 126,550.60	$ 56,947.77	$ 69,602.83
3	2016	$ 8,505.86	$ 138,220.23	$ 129,714.37	$ 58,371.46	$ 71,342.90
4	2017	$ 8,718.51	$ 141,675.73	$ 132,957.22	$ 59,830.75	$ 73,126.47
5	2018	$ 8,936.47	$ 145,217.62	$ 136,281.15	$ 61,326.52	$ 74,954.64
6	2019	$ 9,159.88	$ 148,848.06	$ 139,688.18	$ 62,859.68	$ 76,828.50
7	2020	$ 9,388.88	$ 152,569.27	$ 143,180.39	$ 64,431.17	$ 78,749.21
8	2021	$ 9,623.60	$ 156,383.50	$ 146,759.90	$ 66,041.95	$ 80,717.94
9	2022	$ 9,864.19	$ 160,293.09	$ 150,428.90	$ 67,693.00	$ 82,735.89
10	2023	$ 10,110.79	$ 164,300.41	$ 154,189.62	$ 69,385.33	$ 84,804.29
11	2024	$ 10,363.56	$ 168,407.92	$ 158,044.36	$ 71,119.96	$ 86,924.40
12	2025	$ 10,622.65	$ 172,618.12	$ 161,995.47	$ 72,897.96	$ 89,097.51
13	2026	$ 10,888.22	$ 176,933.57	$ 166,045.35	$ 74,720.41	$ 91,324.94
14	2026	$ 11,160.43	$ 181,356.91	$ 170,196.49	$ 76,588.42	$ 93,608.07
15	2027	$ 11,439.44	$ 185,890.84	$ 174,451.40	$ 78,503.13	$ 95,948.27
		$ 145,176.88	$ 2,359,124.27	$ 2,213,947.39	$ 996,276.33	$ 1,217,671.07
				(C-A)	(C*tax reallocation)	(C-D)

The project will create 45 additional jobs, and because of the purchasing power of the new high tech employees in the downtown, there will be a ripple effect to other areas of the economy equivalent to 120 jobs. Innovation Inc. is in favor of the idea of being in the downtown and wants to move to the site. However, the developer DDC is faced with site costs such as building structural problems, and brownfields, which adds almost $1,000,000 in additional redevelopment costs above a typical project. The DDC finds that the extraordinary site costs will not allow them to redevelop the site and provide a market rate lease that will attract Innovation Inc. This will cause the developer DDC to look elsewhere, to another community, for Innovation Inc. Further DDC has developed a "plan B" for the site if it cannot complete the Innovation Inc. project. DDC will redevelop the constrained site into a storage building that does not require extensive on-site work and can be rented for a low rate. However, AnyCity recognizes that the storage facility development will generate less tax revenue, less jobs, no ripple effect, and in turn is less suited to the needs of AnyCity. The difficultly in this scenario is that the City is unable to predict in advance the onsite issues, and the possible uses. While an off-site capital plan can be established to a more finite degree on-site issues are predicated from more detailed knowledge as development occurs. Fortunately, in this case, AnyCity decided to sit down with the property owner and go over the on-site issues to prepare for the eventuality of the development before DDC and Innovation Inc.. Having this information and as part of the City's due diligence, the City calculated numbers on preferred scenarios to assess the viability of redevelopment projects and a TIF incentive.

As the DDC proposal for Innovation Inc. moved forward, AnyCity found the proposal is eligible for the TIF based on the City's Guidelines. The site has been vacant and underutilized for 15 years and is collecting a minimal return for taxes as outlined in column "A". To determine the appropriate amortization schedule for the $1,000,000 in on-site extraordinary redevelopment costs, the City calculated the numbers with DDC and found that the reallocation of 45% of the incremental Increase (column "C") will amortize the extraordinary on-site costs over 15 years ($996.276.33 sum of column "D"). Again the current taxes are not affected, only the new potential revenue is impacted. Further, the City finds that the taxes, over the fifteen-year period, on the dilapidated site without the development will only be $145.176.88 (column "A"), as compared to $1,271,671.07 which will be added to that base revenue with the development and the TIF at 45%. This represents an increase in taxes over that period of $1,072,494.19 taking into consideration the tax incentive through the TIF.
The TIF is a 15-year term, according to the spreadsheet. The City takes the DDC proposal a step further, and calculates the benefit beyond the TIF, and into the period where the benefit to the company will cease, and a percent of the taxes will not be directed to the project costs. Based on the AnyCity analysis, after 25-years the taxes on an undeveloped site (no DDC Innovation Inc. proposal) would be $276.541.26 (column "A" when extended another ten years), and the taxes with the development and TIF for 15 years, and then no TIF for the next ten, would be $3,220,977.84 (column "E" extended by ten years). Obviously the difference between those two numbers jumps, as the tax incentive ceases in year fifteen, and for ten years the full tax bill is paid. This is the benefit of the TIF; the City gets the proposal it wants, and it receives a site development sooner than what might occur without the incentive. Further, in this case, a building that is returning little to the tax rolls becomes far more productive with the advantage of a business with economic benefits to the community. Therefore, any taxes paid over the undeveloped site is better than no activity on the site, as has been the case for the past fifteen years.

AnyCity has established Economic Incentive Guidelines which outlines the parameters of a typical agreement; so, it is no surprise to DDC when the negotiations for the incentive occur. First, the City wants DDC to guarantee that the land use proposed will be sustained for the term of the TIF, that within the first five-years the DDC will hire an additional 45 employees as planned, and finally, and more important, that the DDC will build a project that will result in a property value equal to, or exceeding, $6,500,000 within three years of the agreement, and finally, the TIF begins in the tax year in which the occupancy permit is issued.

Shorter Term Front Loaded Example

Using the above example and assuming the same numbers, the adjacent spreadsheet provides a shorter term and front loaded benefits. The example provides a full tax incentive for the incremental increase in the first three years, and in the next three years at 75% and the last four years at 50%. Resulting numbers are similar expect that the term is shorter and AnyCity obtains the full tax that much sooner. It also shortens the amortization down to ten years. The key item to remember is that there is no tax break on the existing value the

Tax Increment Financing Example 10 Years Front Loaded - Onsite Investment

# Yrs	Year	A Tax Pre Development	B Tax Post Development	C Incremental Increase	D Tax Reallocation To Capital Plan Cost	E Est Tax added with TIF
1	2014	$ 8,096.00	$ 131,560.00	$ 123,464.00	$ 123,464.00	$ -
2	2015	$ 8,298.40	$ 134,849.00	$ 126,550.60	$ 126,550.60	$ -
3	2016	$ 8,505.86	$ 138,220.23	$ 129,714.37	$ 129,714.37	$ -
4	2017	$ 8,718.51	$ 141,675.73	$ 132,957.22	$ 99,717.92	$ 33,239.31
5	2018	$ 8,936.47	$ 145,217.62	$ 136,281.15	$ 102,210.87	$ 34,070.29
6	2019	$ 9,159.88	$ 148,848.06	$ 139,688.18	$ 104,766.14	$ 34,922.05
7	2020	$ 9,388.88	$ 152,569.27	$ 143,180.39	$ 71,590.19	$ 71,590.19
8	2021	$ 9,623.60	$ 156,383.50	$ 146,759.90	$ 73,379.95	$ 73,379.95
9	2022	$ 9,864.19	$ 160,293.09	$ 150,428.90	$ 75,214.45	$ 75,214.45
10	2023	$ 10,110.79	$ 164,300.41	$ 154,189.62	$ 77,094.81	$ 77,094.81
11	2024	$ 10,363.56	$ 168,407.92	$ 158,044.36		$ 158,044.36
12	2025	$ 10,622.65	$ 172,618.12	$ 161,995.47		$ 161,995.47
13	2026	$ 10,888.22	$ 176,933.57	$ 166,045.35		$ 166,045.35
14	2026	$ 11,160.43	$ 181,356.91	$ 170,196.49		$ 170,196.49
15	2027	$ 11,439.44	$ 185,890.84	$ 174,451.40		$ 174,451.40
		$ 145,176.88	$ 2,359,124.27	$ 2,213,947.39	$ 983,703.29	$ 1,230,244.11

original tax already paid (Column A) remains as an obligation. It comes down to what term and works for both parties.

Including the lessons learned from the first proposal, here are a few additional issues to consider:

1. Know the property owners and building assets: AnyCity can account for the pending proposal by DDC and Innovation Inc., because they knew the building had issues because of communication with property owners.
2. Understanding the alternatives: AnyCity understood that the Plan B Storage Building proposals by DDC would not be good for the community. The TIF can direct positive growth and prevent negative growth.
3. Look to the Ripple Effect: In this case, Innovation Inc. is bringing 45 employees with good salaries into the downtown. The ripple effect is important and uses that can provide proven economic ripple effect should be prioritized.
4. AnyCity Becomes a Partner: The City is now a partner with the company, by investing potential tax dollars into a property to derive a more favorable tax revenue outcome in the future.

6c. In-Site Constraints – New Ideas Corporation
Existing Site Requiring Tenant Fit-Up and Equipment

This scenario will demonstrate the TIF program under the circumstances where the site is in reasonable condition and operating marginally. However a new possible tenant requires a high cost tenant fit-up, and expensive equipment, to relocate to the site; the below spreadsheet outlines this hypothetical development scenario. In this case, the existing property is a 30,000 square foot building which has been redeveloped in the past fifteen-years and is in reasonable condition, with a total property value of $1,500,000, which generates a tax payment shown in column “A” at the current tax rate $20.24 with a 2.5 % escalation per year. The building is used as class “B” office space with a variety of tenants moving in and out over the past ten years showing little long-term commitment. The New Ideas Corporation (NIC), a manufacturer of innovative energy efficiency thermostatic equipment, is looking to relocate their company, to 10,000 square feet on the recently vacated second-floor of the building. However, the building needs an upgraded elevator, fire system upgrades, tenant fit-ups with a clean room level HVAC, and NIC requires new equipment to expand. The total of these costs is $1,500,000. The company is poised to acquire private financing for $1,000,000 and AnyCity has obtained a $150,000 grant for the equipment costs, which NIC will match. The balance of the gap is $200,000 which is beyond NIC’s ability to financially manage, and the bank will be looking for more gap funding to leverage their loan. The financing for NIC requires that they amortize the debt on the gap more quickly than 15 years and they request a 5 year schedule from AnyCity. Further, NIC has an offer from an out-of-state community for a site with less costs, less taxes, and more financing. However, NIC values its employees and wants to stay in the area. The improvements will raise the total building value to $3,000,000, which represents an incremental increase of $1,500,000 and a tax payment outlined by column “B”.

The project will create 25 additional manufacturing jobs, and because the community has a pool of manufacturing employees some of those jobs can be slated for local residents. Therefore the ripple effect includes the increase of disposable income into the local economy by raising the household income for those families. AnyCity staff has decided to sit down with NIC to arrange the equipment grant and go over the tenant fit-up issues to prepare for the eventuality of the development.

Tax Increment Financing Example 5 Years - In-Site Investments

		A	B	C	D	E
# Yrs	Year	Tax Pre Development	Tax Post Development	Incremental Increase	Tax Reallocation To Capital Plan Cost	Est Tax added with TIF
1	2014	$ 30,360.00	$ 75,900.00	$ 45,540.00	$ 37,798.20	$ 7,741.80
2	2015	$ 31,119.00	$ 77,797.50	$ 46,678.50	$ 38,743.16	$ 7,935.35
3	2016	$ 31,896.98	$ 79,742.44	$ 47,845.46	$ 39,711.73	$ 8,133.73
4	2017	$ 32,694.40	$ 81,736.00	$ 49,041.60	$ 40,704.53	$ 8,337.07
5	2018	$ 33,511.76	$ 83,779.40	$ 50,267.64	$ 41,722.14	$ 8,545.50
		$ 159,582.13	$ 398,955.33	$ 239,373.20	$ 198,679.76	$ 40,693.44
				(C-A)	(C*tax reallocation)	(C-D)

As the NIC proposal moves forward, AnyCity found the project eligible for the TIF based on the City's guidelines. To determine the appropriate amortization schedule, for the $200,000 gap at the escalated five-year schedule, the City calculated the numbers with NIC and finds that the reallocation of 83% of the incremental Increase (column "C") will amortize the gap funding over 5 years ($198,679.76 sum of column "D"). Further, the City finds that the taxes, over the five-year period, on the site without the development is currently $159,582.13 (column "A"), as compared to the new development and the TIF the additional $47,874.64 will be added over a five year period. While this is not a large increase, there are three factors to consider: 1. It is an increase where the prior use "class B" office would not produce any increase, and 2. The diversification of jobs creates new income potential into the community, and 3. The property value doubles and in the long-run, more revenue is better than the same revenue.

The TIF is a 5-year term, according to the spreadsheet. The City takes the NIC proposal a step further, and calculates the benefit beyond the TIF, and into the period where the benefit to the company will cease, and a percent of the taxes will not be directed to the project. Based on the AnyCity analysis, after 25-years the taxes on the "class B" office space (no NIC proposal) would be $1,037,029.71 (column "A" when extended to 25 years), and the taxes with the TIF for 5 years, and then no TIF for the next ten, would be $1,364,046.01 (column "E" extended to 25 years). The difference between those two numbers jumps less than the other examples because the property already has some value. This is the benefit of the TIF; the City gets the proposal it wants, and it facilitates investment for a company that might move elsewhere.

AnyCity has established Economic Incentive Guidelines which outlines the parameters of a typical agreement; so, it is no surprise to NIC when the negotiations for the incentive occur. First, the City wants NIC to guarantee that the improvements proposed will be sustained for the term of the TIF, that within the first five-years the JDC will hire an additional 25 employees as planned, and that NIC will build a project that will result in a property value equal to, or exceeding $3,000,000 within three years of the agreement, and finally, the TIF begins in the tax year in which the occupancy permit is issued. In this case, because of an understanding of the local labor pool, AnyCity requires that NIC actively solicits at least 25% of the positions for local residents.

Including the lessons learned from the first two proposals here are a few additional issues to consider:

1. <u>Financing Cornucopia:</u> AnyCity and NIC realize that the funding does not have to come from the TIF alone. The typical method involves the TIF as the gap financing, after all other financing measures are considered. Given the building condition was adequate, the incremental increase was not that pronounced; therefore the other loan and grant funds can offset the low amount of incremental increase to make the project work.
2. <u>Jobs for Residents:</u> AnyCity understands the potential for job creation is more than a national economic issue, it can be targeted to local needs. Therefore the community understands the local labor pool and looks for companies with an employee profile that matches local skills.

6d. Conclusion Examples

There are a multitude of development scenarios that could occur; the above are just a few examples with a variety of external and internal parameters. For that reason the process and criteria for a TIF cannot be so finite as to be limiting. The primary message you get from these examples is: Without the TIF a community could wait for decades for redevelopment. With the TIF the community is in the driver seat making development happen as a partner.

7. Conclusions Chapter One

The ability to prepare for economic development is centered on having the knowledge base and system available to respond to the demands of business growth. The less information, the less preparation the greater the chance that companies will avoid the risk of investment. The above information outlines a few issues beyond incentives that are centric to increasing knowledge and decreasing risk. These factors are outlined generally below:

1. Predevelopment Assessment: Work with major property owners to establish build-out plans for key sites. This analysis should be more of an effort to provide general guidance on a conceptual level. *(Appendix A Development Revenue Assessments provide an initial analysis of the Lower Millyard and Golden Triangle).*

2. Capital Planning with the Economy in Mind: Determine the need for capital improvements based on the above development potential. Does a site need a sewer line, intersection improvements to access the site, or drainage? Is an intersection adjacent to a development known for traffic problems and will the development exacerbate the problems? Assessing capital planning within the context of economic development, actually any development, allows a community to better partner with growth in a manner that leverages private and public funds.

3. Financial Planning: The key to Economic Incentives is having a system in place with guidelines that can provide a developer a level of confidence that their plans will achieve an outcome. Vague incentives are not an effective option to overcome risk. *(Chapter Two of this document outlines the Economic Incentives Guidelines)*

4. Communication: Knowing the needs and issues that commercial and industrial property owner's face is crucial to responding to development opportunities. Relating those issues to programs means that when the opportunity arises the incentives are valid and clear. To create this document there were several meeting with property owners to establish a more focused and viable approach to incentives as outlined in the next section.

Chapter Two: Proposed Guidelines for Incentives

Preface: State Guidelines Incorporated

These guidelines include information issued by the Commonwealth of Massachusetts, Economic Assistance Coordinating Council (EACC), as provided in in Appendix A: ECONOMIC DEVELOPMENT INCENTIVE GUIDELINES, ECONOMIC ASSISTANCE COORDINATING COUNCIL MASSACHUSETTS OFFICE OF BUSINESS DEVELOPMENT EXECUTIVE OFFICE OF HOUSING AND ECONOMIC DEVELOPMENT COMMONWEALTH OF MASSACHUSETTS, which is issued pursuant to the authority granted under M.G.L. 23A Section 3B. The process for State level approval of economic incentives is outlined in detail in the above referenced document. Language from State regulations and policy documents is incorporated herein to facilitate coordination between the State and City process for approval of economic incentives. Article One of this document represents direct excerpts from the above referenced document and portions of Article Two include direct use of State citation. These local guidelines are intended to provide a uniform method to augment the State regulations and provide a seamless process and criteria for local review of requests for economic incentives as may be required of the City of Amesbury.

Article One:
Introduction to the Commonwealth of Massachusetts Economic Development Incentive Program

The Commonwealth of Massachusetts, Economic Development Incentive Program (EDIP) is a tax incentive program designed to foster full-time job creation and stimulate business growth throughout the Commonwealth. Participating companies may receive state and local tax incentives in exchange for full-time job creation, manufacturing job retention, and private investment commitments.

As of January 1, 2010, the Economic Assistance Coordinating Council (EACC) may certify three categories of project for companies that generate substantial sales outside of the Commonwealth and are seeking the EDIP Investment Tax Credit (ITC): full-time job creation and investment projects within Economic Target Areas, projects with exceptional employment growth across the Commonwealth and finally, projects within gateway communities that sustain and grow manufacturing jobs. The City of Amesbury is not a Gateway Community therefore the last option is not a consideration. The EACC will also consider applications seeking the Abandoned Building Renovation Deduction and municipally supported local real estate tax incentive applications for projects that are not seeking an EDIP- ITC.

1. **EDIP Definitions**

   To ensure consistency between the Commonwealth of Massachusetts Guidelines and the City of Amesbury Guidelines the following definitions are directly excerpted from the State Guidance as provided in Appendix A. Please refer to 402 CMR 2.03 for a more detailed list of definitions.

   a. **Certified Project –** The EACC considers applications by a business intending to develop or expand a project for designation as a "certified project," thereby allowing the business to benefit from the various tax relief programs made available by the EDIP. For information on how the length of the "certified project" may affect the value of state tax benefits, please refer to the Massachusetts Department of Revenue (DOR) Directive 09-4 Effect that the Expiration of a Project's Certification Has on the Economic Opportunity Area Credit.

   b. **Economic Opportunity Area or EOA -** an area of the Commonwealth, located wholly within an Economic Target Area, which is designated as such by the EACC. In order for an economic development project to apply for state and / or local benefits as a Certified Expansion Project (EP), the proposed project must be located within an EOA. To obtain EOA designation, the municipality must identify appropriate locations for economic development and request the EACC to designate these targeted development areas within the ETA as EOAs. There are no limits to the number of EOAs that may be designated within an ETA. Since an area must be designated as both an ETA and an EOA before the benefits made available under the EDIP can be realized, municipalities may request simultaneous consideration of both ETA and EOA applications by the EACC.

   c. **Economic Target Area or ETA -** an area of the Commonwealth designated as such by the EACC. More than 200 municipalities (or parts thereof) across the Commonwealth are members of Economic Target Areas as shown on the ETA map www.mass.gov/dbd/edip To obtain ETA designation, the municipality must make a request to the EACC to designate the municipality as an ETA. This designation is based on income, unemployment, and other economic characteristics of the area, and may also be appropriate where the area contains certain special features, as identified in M.G.L. c. 23A, § 3D and in 402 CMR 2.05. The number of ETAs that can exist at any one time in the Commonwealth is limited by state law, as set forth in M.G.L. c. 23A, § 3E and in special acts of the Legislature. (*Amesbury is already part of the Northern Essex Regional ETA and therefore holds this qualification*)

d. **Exceptional Opportunity Area –** At the request of a non-ETA municipality, the Director of the Department of Business Development may designate certain areas of the Commonwealth as "presenting exceptional opportunities for increased economic development," thereby permitting the designation of a TIF Zone within such area, allowing for the municipality to negotiate local tax incentives with a proposed economic development project. *(This does not apply to Amesbury as the City already possess ETA designation)*

e. **Full-time Employee -** an employee, as defined in 402 CMR 2.03: Employee who has been paid by an employer during its taxable year an amount equal to at least the maximum amount of "wages" with respect to which an employer is required to make contributions under M.G.L. c. 151A, § 14.

f. **Gateway Municipality –** a municipality with a population greater than 35,000, a median household income below the Commonwealth's average and educational attainment rates that are below the Commonwealth's average, as measured by the most recent American Community Survey (ACS) of the U.S. Bureau of the Census. *(Amesbury is not a Gateway Community and does not meet the criteria)*

g. **Manufacturing Activity –** the process of substantially transforming raw or finished materials by hand or machinery, and through human skill and knowledge, into a product possessing a new name, nature and adapted to a new use. In determining whether a process constitutes manufacturing, the EACC will examine the facts and circumstances of each case.

h. **Substantial Sales Outside of the Commonwealth** – on an annual basis, at least 25%, or an otherwise reasonable percentage as determined by the EACC, of a controlling business's products or services generated at the facility are sold in the regular course of the controlling business's trade or business to customers located outside of the Commonwealth; provided that, with respect to a facility that serves principally as a corporate headquarters or as a regional administrative office for the controlling business, the above threshold shall be deemed satisfied if at least 25%, or an otherwise reasonable percentage as determined by the EACC, of the controlling business's products or services, wherever generated, are sold in the regular course of the controlling business's trade or business to customers located outside of the Commonwealth.

i. **Middle Tier Community –** a municipality with a median household income below the Commonwealth's average and educational attainment rates that are below the Commonwealth's average, as measured by the most recent American Community Survey (ACS) of the U.S. Bureau of the Census.

2. **Statutory and Regulatory References:** Please refer to the following (non-inclusive) references:

The EACC, ETAs, EOAs and Certified Projects:

- MGL Chapter 23A: Section 3A-3F
- Chapter 166 of the Acts of 2009
- Chapter 240 of the Acts of 2010
- 402 CMR 2.00

The EDIP-Investment Tax Credit:

- MGL Chapter 23A: Sections 3A-3F
- MGL Chapter 63: Section 38N
- MGL Chapter 63: Section 31A
- 830 CMR 63.38 N.1
- Department of Revenue Informational Guideline Release No. 94-201
- Department Of Revenue Directive 09-4: Effect that the Expiration of a Project's Certification has on

the Economic Opportunity Area Credit
- Department of Revenue Technical Information Release (2010)

Tax Increment Financing:
- MGL Chapter 40: Section 59
- MGL Chapter 59: Section 5, Paragraph 51
- 760 CMR 22.00

Abandoned Building Renovation Deduction:
- MGL Chapter 63: Section 38O

3. MOBD Regional Contacts:

Peter Milano, Senior Regional Director
Massachusetts Office of Business Development
29 South Canal Street, Suite 107
Lawrence, MA 01843
Phone: (978) 970-1193
Fax: (978) 794-1611
Email: Peter.Milano-sea@state.ma.us

4. Incorporation of State Guidance

Within this document Commonwealth of Massachusetts EDIP process and guidance is inserted where applicable to ensure coordination and conformance. This information is inserted to ensure the proper sequence and relationship between the review by the Commonwealth of Massachusetts through the EDIP, and the City of Amesbury. Adoption and amendments to this document will require that language and process required of the State of Massachusetts remain to ensure conformance with the State requirements.

Article Two:
City of Amesbury Economic Incentive Guidelines

The City of Amesbury hereby establishes local guidelines for the Amesbury Economic Incentive Program (AEIP) to address blighted, distressed, underutilized and slow development areas. The City understands that sites contain abandoned or contaminated facilities or require site improvements that are often in excess of financial feasibility. Other areas are characterized by limited infrastructure or commercial operations that are no longer economically viable. Such locations create a decrease in assessed property values, a decline in municipal revenue and they are a drain upon municipal services. Traditionally, it has been difficult for the city to attract private investment into these areas. A viable solution is the utilization of economic incentives which have been authorized through the Massachusetts legislature as outlined in Article One above.

Table of Contents City of Amesbury Economic Incentives Guidelines

1. Amesbury Economic Incentives Program Introduction

Based upon economic development and land use planning principles, the City of Amesbury may designate appropriate locations based on applications for incentives. Incentives are offered in order to create available capital that will facilitate the financing of designated projects. All provisions of the City of Amesbury policy are in accordance with M.G.L. c. 40, § 59 and the implementation of regulations found under 760 CMR 22.01. For the purpose of clarity a "TIF Plan" as referred to in the legislation and documents refers to the individual TIF agreements and not an overall general planning document. This document is not a TIF plan it is a report and guidelines for economic incentives.

This section of the document is meant to provide the prospective developer with consistent local guidance to issues and preferences to ensure economic development generates positive outcomes for the City.

2. Goals

- Provide a means to stimulate private capital investment in commercial and industrial properties resulting in a substantive increase in net taxable property value.
- Encourage qualifying existing businesses to expand within the City of Amesbury.
- Attract new businesses that are compatible with the City of Amesbury.
- Foster reconstruction and renovation of vacant or underutilized commercial properties.
- Provide private funds to leverage public improvements that are mutually beneficial and necessary for the City and business community.
- Diversify the tax base and reduce the burden on residential properties.
- Stimulate the creation of jobs paying above the area median income for Amesbury.
- Increase the expediency at which redevelopment occurs by changing the financial options to development in a manner that favorably alters the financial feasibility.

3. <u>Criteria for Local Certification</u>

The City of Amesbury seeks to enter into Tax Increment Financing Agreements to amortize extraordinary development costs which limit the ability to expediently and effectively develop a site in a manner beneficial to the City, and the developer. The rational nexus for local certification is the relationship between project impediments, project costs and market suitability. Projects seeking qualification for a TIF shall be able to demonstrate with documentation the compliance with as many of the following criteria as possible. The following circumstances outlined below are not requirements to receive local certification for an Incentive. The below criteria represent circumstances under which an incentives would be considered. Compliance with all of the criteria is not necessary:

A. **Massachusetts EACC Certification Eligible Projects:** The EACC may certify three categories of project for expanding companies that generate substantial sales outside of the Commonwealth, are retaining and / or creating full-time permanent jobs and are seeking the EDIP Investment Tax Credit (ITC). In consultation with MOBD, the EACC will determine a project's appropriate category. The City of Amesbury is not a Gateway Community and therefore does not qualify for the third category, as such it is not listed below.

1. Certified Expansion Project: A full-time job creation and investment project within an Economic Target Area.
2. Enhanced Expansion Project: A project with exceptional employment growth of 100 new full-time jobs or more, anywhere in the Commonwealth.

B. **Local Certification Criteria:** Additionally the following criteria shall be considered when reviewing applications for incentives. Each of the following topic areas contains multiple approaches to each topic. Certification under a topical area does not require complete compliance with all of the criteria indicated in each topical area.

a. **Job retention and/or creation:** shall be used as a measure to determine the value of savings to be offered using the following minimum guidelines:

- The City's interest in job creation or retention is for a reasonably significant number of jobs. The preferences shall be considered as greater for projects with more investment by the City. The guideline for the local requirement is one job for every $50,000 in tax incentive provided. In all projects the minimum level of jobs created must be consistent with state requirements for Certified Projects. The minimum jobs created shall at least meet the EACC guidelines. Where extenuating circumstances that benefit the community are clearly evident as determine by the City, the City may waive the above.
- Job creation shall not include temporary construction jobs to improve the site or building.
- The wages shall be at least 125% above the minimum wage.

b. **Business Loss of Opportunity to City:** The applicant shall provide supporting evidence that "but for" this initiative, the commercial enterprise will locate out of the City of Amesbury, not locate in the City of Amesbury, or terminate business operations, and/or relocate out of the City of Amesbury.

c. **Company Risk:** The Project entails a risk for the company (i.e. first new business to locate in a blighted area; first to locate on a Brownfield or redevelopment area; first in a specific type of business or industry to locate in the City of Amesbury).

d. **Incentives Limited and Required**: No other incentives are available, such as; financing, other reductions in taxes, grants, or a similar benefit to the current owner or previous owner of the subject property.

e. **Offsite Impacts and Mitigation:** The project will not overburden or harm the City's existing infrastructure. The impacts cause by the project will require an investment in off-site mitigation of traffic, drainage and other factors and such investment represents extraordinary off-site costs which are require to overcome development impacts. The project in concert with City plans for infrastructure improvements and will provide a source of funding to implement the necessary improvements to offset impacts.

f. **On-Site Impacts Mitigation:** The project will invest in on-site mitigation representing extraordinary costs which are required to overcome development constraints, such as the cost of remediation for a designated Brownfield site, storm-water, or wetlands mitigation, which is not entirely covered by subsidizes.

g. **Within the Site Mitigation:** The project will include the provision of funds for new equipment which will expand operational capacity and create additional jobs. The project must invest in costly tenant fit-up mitigation representing extraordinary costs which are required to overcome development impacts and attract a highly favorable tenant. The project will follow standards for historical restoration, rehabilitation and as such incur greater costs than not addressing those issues.

h. **Project Capacity to Leverage Investments and Economic Development:** The project will create an economic ripple effect as a result of, but not limited to the following: the character of the proposed use, company notoriety, the potential business to business relationship to other uses in the City, the ripple effect of employees working at the business and their propensity to frequent businesses in the City, relationship of the businesses to an existing customer base in the City, region, or nationally. The project has an ability to leverage State or Federal funds by virtue of the compatibility to grant criteria. Other factors which clearly indicate that the location of the business will generate further investment as a phased approach that would have not occurred without the development.

i. **Project Compatibility with City:** Compatibility of the applicant's business with the applicable Master Plan, Zoning, Economic, and Environmental; Goals, Objectives, Policies, and Strategies. More specifically the appropriateness of the business at the proposed location. The extent that the business will return of a non-performing property to the tax rolls. The project has a demonstrated benefit to the environment. The project shows a link between the skills of the local labor force and skill set of the jobs created. The project will not create an overabundance of a particular use to saturate the local economy.

j. **Project Scale and Coordination:** A project is of a larger scale which will provide a considerable increase in the factors such as; incremental increase tax value, job creation, ripple effect, and other as cited above will be considered as more favorable and may receive due consideration for scale over the applicability of the above criteria. Projects which increase the property's value by a factor of ten-times the predevelopment value shall be considered as significant. Projects which combine adjacent lots to create a larger coordinated project approach to facilitate a coordinated investment with additional leverage potential, will be considered as more favorable than projects which are developed on individual sites and do not aggregate the benefits of multiple parcels, or adjacent parcels, into a larger investment and more positive financial outcomes.

k. **Applicants Readiness and Profile:** The strength of the applicant's financial condition. The readiness to proceed and the timetable indicating the reasonable projections for completion of all investment or employment. The project's community benefit and the applicant's commitment to the City. The project shall provide evidence that the TIF benefit is not meant to overcome property acquisition costs in excess of reasonable market costs for the area.

4. Incentives Eligibility by Use

The City of Amesbury recognizes the relationship between zoning as a means to manage land use, and incentives as a means to then attract preferred uses. The City has determined that the Zoning Ordinance Table of Uses is the best medium to guide the establishment of eligible uses to consider for Economic Incentives. The below City of Amesbury Table of Uses, with only the applicable commercial and industrial zoning districts shown, provides a listing of all of the uses that will be considered as eligible for economic incentives. The fact that a use is indicated as eligible in the below table does not mean that the project will be approved for an economic incentive. For the purpose of these guidelines the local certification of a use shall be based on the conformance of the proposed project to the criteria herein, and the applicability of the applied definition of the applicable use as established by Zoning. The development of a real estate project by a business that will subsequently lease or otherwise transfer portions of the real estate to other businesses may be eligible for Certified Project status under the following circumstances.

1. Businesses that own, lease or will acquire space at the project must meet the State and Local eligibility requirements for certified projects.
2. The tax benefits resulting from certified project status must be passed on to and allocated among the businesses intending to own or lease space at the project.
3. The project must meet all other state and local criteria for certified project status.
4. Landowners of real estate projects are not eligible for the state investment tax credit.
5. Businesses leasing or owning space in the project may be eligible for the investment tax credit for qualified investment in depreciable assets.
6. In addition, businesses that lease property may also be eligible to apply directly for leasehold and equipment improvement costs.

Table of Use Regulations Zoning Ordiance – List of Prefered Uses Economic Incentives

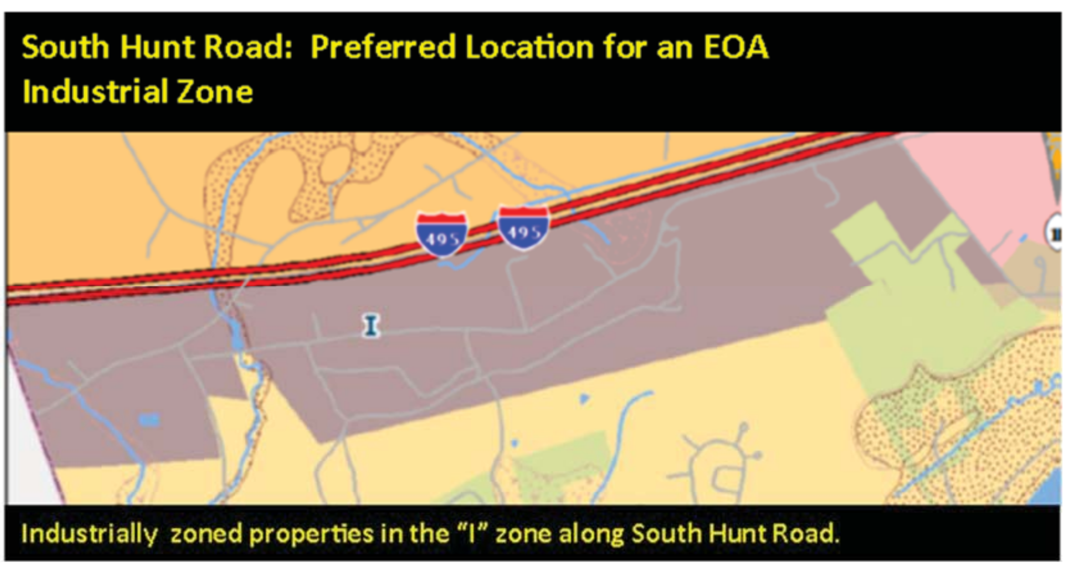
USES	CBD	C	RCZD	OP	IL	I	IC	PUD	W/F	OSC	ESOD	HROD[2]	DAD	Site Plan Review required
Artisan Business	S1	-	-	-	-	-	S1	-	-	-	-	-	-	YES
General retail sales & services not mentioned below	P	P	P[8]	S1	-	-	S1	P	-	-	P	-	-	YES
Restaurant	P	P	P	S1	-	S1	S1	P	-	-	P	-	-	YES
Hotel/Motel 2009-060	S1	P	P	P	-	-	-	S1	-	-	P	-	-	YES
Professional/business offices	P	P	P	P	-	S1	S1	P	-	-	P	-	-	YES
Office parks	-	-	-	P	-	-	-	-	-	-	P	-	-	YES
Office, Retail or Shopping Center	S1	-	S1	-	-	-	-	-	-	-	-	-	-	YES
Private clubs	S1	S1	S1	-	-	-	-	S1	-	-	-	-	-	YES
Private indoor recreation facility	S1	S1	P	S1	S1	S1	S1	P	-	P	S1	-	-	YES
Private outdoor amusement recreation facilities	P	P	-	-	S1	P	-	-	-	P	-	S1	-	YES
Industrial														
Artisan Business	S1	-	-	-	-	-	S1	-	-	-	-	-	-	YES
Artist live/work space	-	-	-	-	-	-	-	-	-	-	-	-	S1	YES
Light Manufacturing	S1	-	-	P	P	P	P	-	-	-	-	-	-	YES
Manufacturing	-	-	-	-	-	P	P	-	-	-	-	-	-	YES
Bakery with on-premise sales (not a retail bakery)	P	P	-	S1	S1	P	P	-	-	-	S1	-	-	YES
Transportation terminal (passengers)	S1	P	-	-	-	P	S1	-	-	-	-	-	-	YES
Research office/labs	S1	S1	-	P	-	P	P	-	-	-	P	-	-	YES
Planned Industrial Development	-	-	-	S1	S1	S1	S1	-	-	-	-	-	-	YES
List of Prohibited Uses	-	-	-	-	-	-	-	-	-	-	-	-	-	YES

5._Preferred Locations for Economic Incentives

The City is particularly interested in TIF Agreements that support projects that enhance the locations outlined in the below list and other areas zoned as Industrial and Commercial as maybe added to the list by an amendment of this document. As outlined in the above Article One and the following subsections of Article Two the EOA must be established commensurate with the application for an incentive. The areas outlined herein represent locations that are preferred for an EOA and therefore for a TIF or other incentive. Specifically the City will consider incentive applications for the areas as shown in the below figures and as described below:

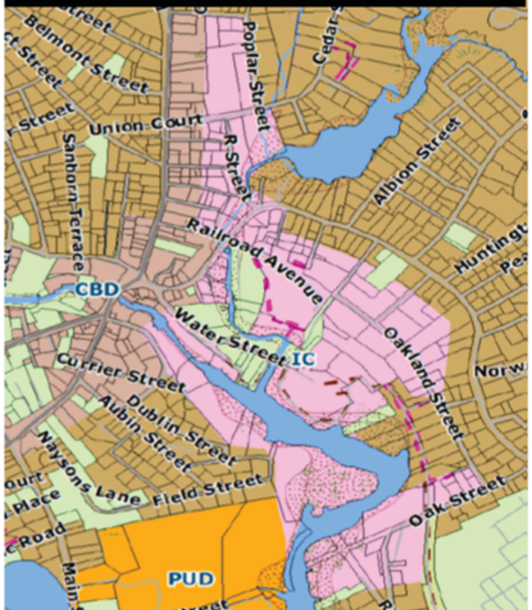
- <u>**Downtown:**</u> The downtown area as shown on the below map titled ***Downtown: Preferred Location for an EOA Commercial and Industrial Zones*****,** comprised of the zoning districts CBD and IC, including any and all properties whether completely or partially in those zones.
- <u>**Golden Triangle:**</u> The area between interstate routes I-95 and I-495 as shown on the map titled ***Golden Triangle: Preferred Location for an EOA Commercial Zones***, comprised of the zoning districts ESOD and OP, including all properties whether completely or partially in those zones.
- <u>**Route 110 Industrial Zone:**</u> The Industrial "I" area along Route 110 as shown on the map titled, ***Route 110: Preferred Location for an EOA Industrial Zone*****,** predominantly comprised of the Microfab and Boston North properties.
- <u>**South Hunt Road:**</u> The Industrial "I" area along South Hunt Road, adjacent to I 495, as shown on the map titled, ***South Hunt Road: Preferred Location for an EOA Industrial Zone.***
- <u>**Industrial Way and Munroe:**</u> The Industrial "I" area along Munroe and Industrial Way, adjacent to, and north of I 495, as shown on the map titled, ***Industrial Way: Preferred Location for an EOA Industrial Zone.***
- <u>**Commercially or Industrially zoned parcels, areas that are not Included above but maybe added**</u>: Additional areas made be added to the above areas by amendment of this document to designate additional preferred locations for an EOA zone, providing the area meets the following criteria:

    - The aggregation of parcels shall be no less than five acres in size.
    - The zone contains properties that substantially meet the above criteria.
    - The petitioner has written evidence that the property owners within the selected area are in favor of an application for incentives.
    - The area is not substantially comprised of natural or cultural resources which could be negatively impacted by growth stimulated by tax incentives.



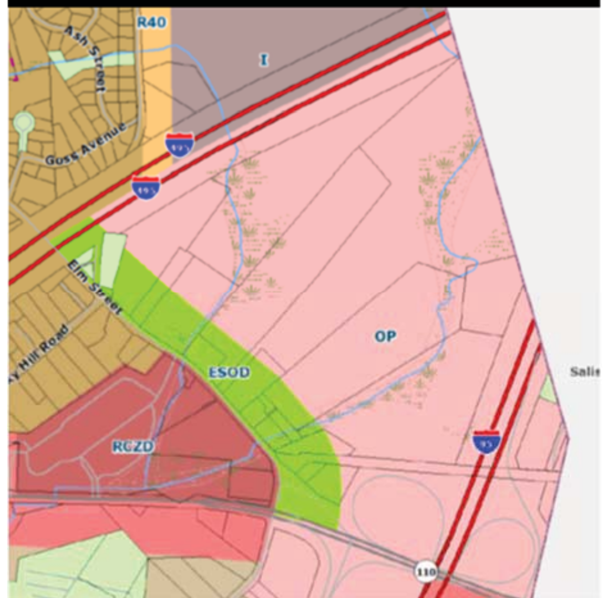
Industrially zoned properties in the "I" zone along South Hunt Road.

Downtown: Preferred Location for an EOA Commercial and Industrial Zones



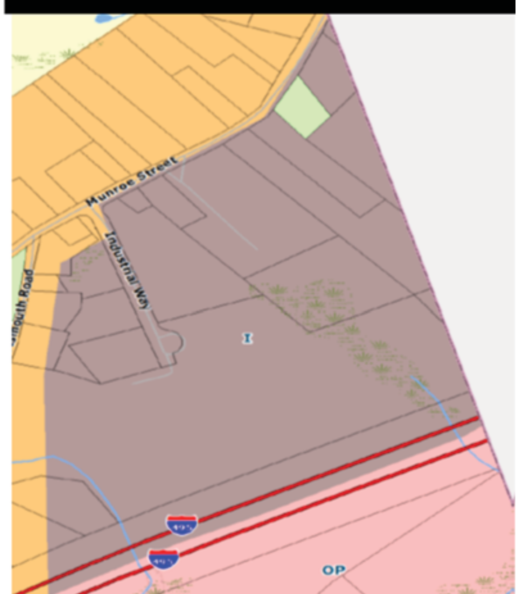
Commercially and Industrial zoned properties in the "IC" and "CBD" zones.

Golden Triangle: Preferred Location for an EOA Commercial Zones



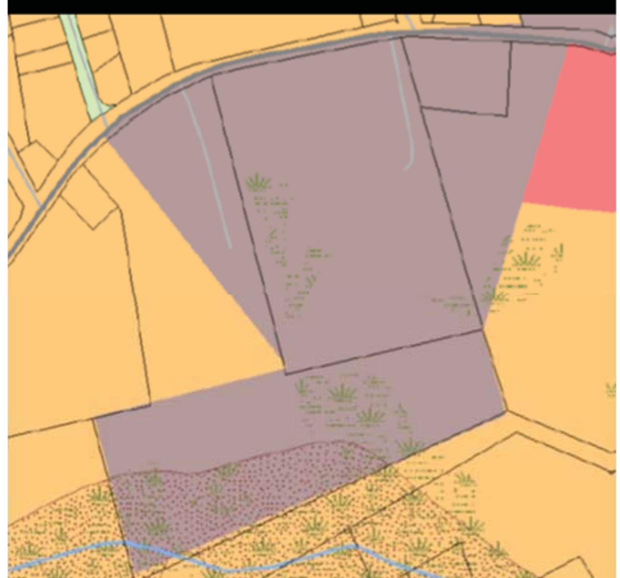
Commercially zoned properties in the "OP", "ESOD", and "RCZD" zones, between I 95 and I 495, and north of Route 110.

Industrial Way : Preferred Location for an EOA Industrial Zone



Industrially zoned properties in the "I" zone north of I 495 along Munroe, and Industrial Way

Route 110: Preferred Location for an EOA Industrial Zone



Industrial Zone "I" properties to the south of route 110 including those properties partially zoned

5. **Incentive Programs**

The below programs are excerpted from the Commonwealth of Massachusetts information provided in Appendix B. Where conflicts on programs descriptions should occur the descriptions in Article One shall preside.

a. **Tax Increment Financing (TIF) Exemption** – A percentage exemption on the increased value of a parcel resulting from an expansion or improvement. Exemptions can be from 0% to 100% of the increased value for a period of between 5 and 20 years. The base or existing value before improvements is taxed at the full assessed value. TIF agreements are negotiated between the City and the Certified Project candidate. Personal property taxes situated at a parcel receiving a TIF are exempt for the life of the TIF agreement as required by the State. All manufacturers are exempt from personal property taxes by State law regardless of TIF status. Other TIF recipients are exempt from property taxes for the life of the TIF.

b. **Special Tax Assessment** – A four-year declining tax exemption equal to 100% of the full and fair cash value of a parcel in the first year, 75% in the second year, 50% in the third year, and 25% in the fourth and final year. In the fifth year, the property is taxed at the full assessed value. The City of Amesbury prefers to use the TIF option and not this option.

c. **Certified Expansion Project (EP):** In return for full-time job creation and private investment commitments, the EACC may certify Expansion Projects (EP) within Economic Target Area communities and award up to a 10% EDIP- Investment Tax Credit (ITC) to support the project. EP are most similar to those EDIP Projects certified prior to January 1, 2010, however EP must have substantial sales outside of the Commonwealth. A municipally driven, three-stage process is required for an EP (the first two stages may have been completed ahead of the project application):

   1. The City of Amesbury is an ETA community and therefore meets the first requirement, and
   2. The proposed project location must be within an EOA, which would require an application, and
   3. The project must receive municipal approval of local tax incentives (either Tax Increment Financing (TIF) or a Special Tax Assessment (STA)) and municipal approval of the Certified EP prior to being considered by the EACC.

d. **Enhanced Expansion Project (EEP):** The EACC may certify Enhanced Expansion Projects (EEP) that will create at least 100 new full-time, permanent jobs in the Commonwealth within two years of receiving an EDIP-ITC incentive and be retained for at least 5 years. An EEP that will strengthen the Massachusetts economy and contribute to the Commonwealth's fiscal health may be considered for an EDIP-ITC incentive of up to 10% eligible capital investment.

e. **10% Abandoned Building Tax Deduction** – Abandoned Building Renovation Deduction: A corporate excise deduction or a personal income tax deduction equal to 10% of the cost of renovating an abandoned building, defined as being at least 75% vacant for 24 months or more, within an EOA.

6. Generally Three Step Process

The Amesbury Economic Development Incentive Program consists of a three-step process, within this overall process there are incremental steps such as review by both City and State agencies and commissions. Generally the process is as follows:

1. **Economic Target Area (ETA) –** The destination of the ETA has already been accomplished. The City of Amesbury in its entirety is within the Northern Essex Regional ETA.
2. **Economic Opportunity Area (EOA) –** This is an area designated by a municipality within an ETA of particular need and priority for economic development. The area must meet the State definition for an area that is blighted, decadent, or substandard. An area is eligible for EOA designation for a minimum of five years to a maximum of 20 years. The City of Amesbury has outlined preferred areas for EOA's and will designate those areas commensurate with an application for economic incentives as maybe applicable.
3. **Certified Project** – A business located within an EOA that is expanding its existing operations, relocating its operations, building new facilities and making a significant capital investment resulting in the creation of permanent new full-time jobs. New jobs created must not replace or relocate permanent full time jobs from another facility located in Massachusetts. Businesses must meet state and local criteria to obtain certified project status. Certified projects must be approved by the City and the EACC. Certified projects are eligible to take advantage of both state and local tax incentives.

7. Specific Process for Certification:

A. Incentive Committee: The Amesbury Economic Incentives Committee, (AEIC) shall be designated by the Mayor to review project applications and make recommendation for action. The Mayor's appointments shall consist of the Finance Director, the Assessor, Director of the Office of Community and Economic Development or their designee. Two members of the City of Amesbury City Council shall be appointed by the City Council, and a member of the Planning Board shall appointed by the Planning Board. The AEIC shall create and as required amend bylaws and administrative forms to establish operational parameters and rules of order within the context of these Guidelines.

B. City Process (with State Process incorporated): The following process shall be coordinated with the timing of the State process to the best ability of the City. Each Incentive Agreement application will be judged on individual merit in the application of these guidelines and during the course of the following process:

1. **Massachusetts Office of Business Development Regional Director:** Participate in an introductory meeting with the MOBD Regional Director. Send a "Letter of Intent" to the City of Amesbury, and copied to the applicable MOBD Regional Director, in which the proposed project will be located indicating an interest in applying to the Economic Development Incentive Program and providing pertinent project details.

2. **Preliminary Application:** Complete and return the EDIP Preliminary Application by the published State deadline. Provide an electronic copy to the MOBD Regional Director for review and upon invitation of the Regional Director send an original hard copy: Attn: EDIP Project Manager, MOBD, 10 Park Plaza, Suite 3730, Boston, MA 02116.

3. **Conformance with Criteria and Determination of Development Impediments:** Each applicant for an incentive shall participate in a pre-application meeting with the Office of Community and Economic Development who will consult with other appropriate town staff, boards or committees as necessary to ensure that the project meets the City Master Plan and complies

with applicable land use regulations. Conceptual level documentation is sufficient for this meeting, providing that an understanding of community impacts and benefits can be assessed. The applicant should provide information indicating the impacts related to the criteria herein as a means to substantiate the need for the incentive. This step is a staff review and does not require site plan or other formal applications at this time. However, the applicant may choose to fulfill all of the permitting requirements prior to requesting an incentive program. Commensurate with the intent to proceed by the applicant the OCED Office shall begin to prepare the application for the EOA designation related to the application requested. Pending a successful process the City will take the administrative steps to submit such EOA application, subsequent to local approval.

4. **Incentive Committee Determination of Conformance with Criteria:** The OCED shall forward each application to the AEIC with a completed checklist for their review. The applicant shall provide adequate information to demonstrate that the incentive requested is crucial to the applicant's decision to establish a new business operation or expand an existing business operation in Amesbury by providing financial information such as business tax returns, year-to-date financial statements, and banking and credit references. During this review the applicant shall show conformance with both the criteria of the Commonwealth, and the City of Amesbury. The AEIC, upon completion of its review, shall prepare a written recommendation to the Mayor using the metrics as required. A draft Incentives Agreement shall be forwarded with the recommendation, no such agreement is necessary where the recommendation is not positive. The recommendation shall include general terms and conditions for a pending agreement. Upon completion of their review, which shall not exceed four (4) weeks, the AEIC shall refer the application to the Mayor for consideration.

5. **Office of the Mayor Review and Recommendation:** The Office of the Mayor, with additional representation as the Mayor may choose, shall review the reports from the OCED, and Incentive Committee, and meet with the applicant to discuss the initial terms of the agreement. The Mayor's Office in conjunction with OCED shall issue a report summarizing the review and making a recommendation with the applicable administrative orders to the City Council.

6. **EOA Designation:** Subject to the Mayor's Recommendations the OCED, shall prepare the Economic Opportunity Area (EOA) designation as may be required by the application property location. The EOA designation shall be forwarded to the City Council with the applicants request, Mayors recommendation, and Agreement.

7. **City Council Review:** The City Council shall review the documentation and provide written recommendations for the Mayor within 45 days of receipt at the Office of the City Clerk. The City Council shall forward their recommendations to the Mayor for both the EOA designation and incentives agreement. The Mayor may resubmit the incentive application and EOA request where the City Council recommendation requires amendments to facilitate a binding and successful agreement.

8. **EOA Application to Commonwealth:** Subject to approval by the City Council the OCED, in conjunction with the applicant, shall complete and submit the application for the EOA designation for transmittal to the Massachusetts State Economic Assistance Coordinating Council (EACC) for their review and action.

9. **EACC Incentive Application State Process:** Following review and upon the invitation of the MOBD Regional Director, the applicant should complete and return the EDIP Supplementary Application. The Supplementary Application requires the submission of supportive data, analyses and a definitive project timeline. If applicable, submit local approvals and agreements

to the MOBD Regional Director. All application materials must be submitted prior to the published deadlines. Incomplete applications will not be considered. Please provide an electronic copy to the MOBD Regional Director and send an original hard copy: Attn: EDIP Project Manager, MOBD, 10 Park Plaza, Suite 3730, Boston, MA 02116. Upon invitation, attend a meeting of the Economic Assistance Coordinating Council to present project details and request project certification. The EACC plans to meet on a quarterly basis. Please check with your MOBD Regional Director for the deadline to submit application materials. The EACC reserves the right to seek additional information from applicants and to defer project consideration. Unless the EACC determines that additional information is required, then the EACC will generally make decisions on project certification during their scheduled meetings. Projects will receive written notification of the EDIP-ITC award after the EACC meeting, usually within 48 hours. The award will include a timeline for taking the EDIP-ITC in specific tax years. If awardees are unable to take the EDIP-ITC according to the agreed timeline then the EACC will try to accommodate the changed project timeline, however reserves the right to rescind the EDIP-ITC award.

10. **Agreement / EOA Effective Date:** An incentives agreement, and EOA, shall not take effect until final approval is granted by the City and all necessary State approving agencies.

11. **Annual Review:** As required by enabling legislation incentive agreements shall be reviewed annually to ensure compliance with the terms of the agreement. The City will decertify any TIF agreement that fails to fulfill obligations relative to employment and/or investment as described in the agreement. At the end of each year, certified projects are required to submit a report to the EACC and to the City. The EACC reviews each project for compliance with job and investment goals, per MGL Ch.23A and 402 CMR 2.00 and requires confirmation of the EDIP-ITC utilization schedule. Please note that failure to submit the annual report to the EACC is grounds for project decertification.

8. General Terms of an Agreement

Incentive agreements at a minimum must include the following:

- A plan for the life of the Agreement that demonstrates job retention, and/or jobs creation and a timetable for same.
- In the case of jobs created, there must be a provision included within the Agreement, illustrating that at least 51% of the jobs must be afforded the opportunity to be filled by City of Amesbury residents with the employer working through established public and quasi-public employment service entities within the City of Amesbury.
- A description of the total capital to be expended by the applicant for the project and its general category purposes.
- If public improvements are involved, it is necessary to include a description of the public improvements as well a total costs apportioning the amount that can be attributed to the benefit of the project’s applicant.
- If an exception to the eligibility requirement is a factor, a recitation of those exceptions with a description is necessary.
- The property owner agrees to pay City of Amesbury taxes and municipal invoices prior to the end of the fiscal year in which invoice for payment is received.
- All agreements shall contain grounds for revocation of the agreement by the City.
- These grounds shall include, but not be limited to, violation of the terms of the agreement, nonpayment of real estate taxes and to the City and non- compliance with targeted job creation projections.

- Agreements will not be entered into for investments that have already been made as of date of the agreements and are for prospective investments only.
- At the City's discretion, Agreements may also provide for a repayment of the difference between the total amount of tax which would have been due without the incentive and what was due with the incentive in the event the agreement is revoked and the project decertified. This difference will become immediately due and payable as a "payment in lieu of taxes".
- The City reserves the right to alter these guidelines from time to time, in the best interests of the City of Amesbury.

9. <u>Duration of the TIF Agreement:</u>

The City shall consider the favorable length of the TIF Agreement as 5 years to amortize costs more quickly. Extenuating circumstances, demonstrating a benefit to a city community improvement objective, neighborhood revitalization strategy, and/or economic development goal may result in an extension of the TIF period. Standards to be applied in extending a TIF agreement beyond 5 years must include some or all of the following:

(1) Reuse of vacant Brownfield property.
(2) Public Improvements are necessary in concert with site improvements.
(2) Jobs to be saved or retained exceed the minimum guidelines by 50% or more.
(3) The project is to be located in a distressed neighborhood as measurably defined through government standards.
(4) There is a verifiable, written offer from another community which would render the five year Agreement as non-competitive.
(5) The applicant's project shall convert a non-conforming property to a conforming property.
(6) All applications must include detailed "but for" reasoning which is to explain how if it were not for assistance offered through this program, it could not reasonably be expected for the project to succeed.
(7) Substantial compliance with the criteria as cited herein.

Appendix A
TIF Incremental Increase Assessments

Incremental Increase Assessments

The value of new growth sets the foundation for the amount of capital available for investments; therefore, it is crucial to determine if there is enough difference between what is (the current property value) and what can be (the value with redevelopment). Remember, the TIF can only use the incremental increase for the incentive; therefore, if the difference between the current property value and the redeveloped property is minimal, then there is little capital to overcome development constraints and there is minimal return to the City during the TIF term. In this regard this report reviews two key areas in the community, namely the Lower Mill Yard and the Golden Triangle, to determine the growth values and possible capital for reinvestment through a TIF.

The Lower Mill Yard

The ability to implement a TIF program is dependent on the potential for development. As mentioned above, the TIF programs should not get involved in a project that has minimal difference between the existing and proposed tax revenue. Essentially, unless there is appreciable tax revenue growth, the TIF does not make sense for the City; therefore, before you begin setting TIF districts, the value of the potential projects should be determined to see if there is even a possibility of a return on the public investment.

First, let's start with the Lower Mill Yard and its development potential. Rather than make assumptions on all of the properties in the Lower Mill Yard, this report will focus on a few of the development areas. This potential development analysis uses the averaging of value-per-square-feet from recent development, as expressed through the City Assessment data. In addition, testing of these values was done with standard sources, such as Means building construction data, and communication with property owners, and developers. The estimations should be considered as conservative.

Limited to Large Structures

The section at the top of the below spreadsheet, titled "Completed Projects", lists the developments prior to 2013. Some of these projects are indicative of the growth that was beginning to take effect prior to the 2008 economic downturn. The first listed project, in the section titled "Potential Redevelopment" category, at Cedar and Poplar, has completed the Planning Board process and should be completed by 2014. All of the dates shown represent anticipated completed dates, not start dates. The Cedar and Poplar project represents the movement back to an increase in development opportunities stalled by the national economic issues. The Potential Redevelopment section of the spreadsheet is a list of properties, with mill or other large buildings, which have one or more of the following conditions:

- The property owner is planning on moving operations to a new site in the City and will redevelop the Lower Mill Yard site,
- the building is either vacant or partially vacant,
- the site is on the market and has not been redeveloped,
- and/or the property owner has specific plans, and or permits for redevelopment,
- and, in all cases, a considerable structure (not outbuildings) occupies the majority of the site.

This analysis includes only the 13 properties meeting the above criteria, which, because of the limited scope, is an additional reason to consider the results as conservative.

Comparative Studies

This analysis is based on the application of a cost-per-square-foot redevelopment value, which is less than the typical market and sales values. Projects such as Carriage Hill Landing, at 35 Water Street, were estimated by the consulting firm of RE Investments Inc. to achieve $57,123,000 in value based on projected sales with a full build-out. As indicated in the below spreadsheet, the property at 35 Water Street is estimated, by this analysis, at a total build-out value of $34,355,360, when applying the conservative multipliers to the same development mix, as presented by the consultant's report. Essentially, the report conducted by a consultant indicated that the redevelopment value is $22,767,640 more than this analysis established. The developer for Cedar and Poplar, who commonly does multi-family projects similar to those in the Lower Mill Yard, plans on a total project cost of

$7,000,000, which, when divided by the planned 48 units, results in a value of $186-per-square-foot. This analysis used $160-per-square-foot, which is lower, in this case, by $26-per-square foot. In fact, the resulting value of $6,316,160 (see spreadsheet Cedar and Poplar) is less than the planned $7,000,000 in value. In all cases, the numbers in this analysis are less than calculated by local property owners, development professionals, and the "RE: Investments, Inc." market assessment on property within the Lower Mill Yard.

The Spreadsheet

The Potential Redevelopment section of the spreadsheet depicts 13 properties with varying development scenarios. These scenarios are based on the following: developers or property owner discussions with the Community Development Office, studies completed by the property owner, or public claims by a property owner as to the preferred development. The numbers of units and square feet are cross-checked to make sure that the site can manage the build-out capacity. The result is predominantly office and commercial space, with three of the developments providing over 270 units of housing. Some of the properties are listed twice, because the housing and commercial calculations require separate multipliers; therefore, the square feet may appear to be different than City records, however, it is segregated for each type of proposal, housing versus commercial.

Development Activity/Potential Lower Mill Yard Area

Completed Projects							
Location	Year	Type	Units	Sq.Ft.		Cost Per	Value
Riverwalk Apartments	2006	Hsng	87	Assess. Data			$ 8,242,400.00
69-75 Main	2007	Hsng	14	Assess. Data			$ 2,412,800.00
Currier Street	2006	Hsng	8	Assess. Data			$ 1,610,700.00
Loft's at Clark's Pond	2007	Hsng	41	Assess. Data			$ 7,991,300.00
13 & 14 Cedar	2013	Comm		Assess. Data			$ 878,600.00
							$ 20,257,200.00

Potential Redevelopment in Lower Mill Yard			A	B	C	D	E
Location	Year	Type	Units	Sq.Ft.		Cost Per	Value
20 Cedar and 4 Poplar (36,700)	2014	Hsng	48	39,476.00	822.42	$ 160	$ 6,316,160.00
22 Water	2015	Comm		10,500.00		$ 155	$ 1,627,500.00
25 Water	2015	Comm		30,000.00		$ 155	$ 4,650,000.00
77 Elm	2015	Comm		24,000.00		$ 155	$ 3,720,000.00
79 Elm	2015	Comm		16,000.00		$ 155	$ 2,480,000.00
29 Water	2015	Comm		12,000.00		$ 155	$ 1,860,000.00
35 Water Bartley (220,000 sq ft)	2016	Hsng	184	214,721.00	1,166.96	$ 160	$ 34,355,360.00
35 Water Bartley	2016	Comm		10,000.00		$ 155	$ 1,550,000.00
2 Oakland	2016	Comm		45,683.00		$ 155	$ 7,080,865.00
9 Oakland (55,000 sq ft)	2016	Hsng	50	60,000.00	1,200.00	$ 160	$ 9,600,000.00
9 Oakland	2016	Comm		35,024.00		$ 155	$ 5,428,720.00
11 Oakland	2016	Comm		35,772.00		$ 155	$ 5,544,660.00
12 Oakland	2016	Comm		13,232.00		$ 155	$ 2,050,960.00
22 Oakland	2016	Comm		7,085.00		$ 155	$ 1,098,175.00
25 Oakland	2016	Comm		18,492.00		$ 155	$ 2,866,260.00
							$ 90,228,660.00
					Hsng "C"= (B/A)		Hsng "E" = (A*C)*D
							Comm "E" = (B*D)

The results indicate that the total potential build-out value is $90,228,660. Again, caution should be considered, as these are not values associated with a market analysis providing projected sales, which, in the case of 35 Water Street resulted in higher numbers. The number is based on the average of like developments, using Assessment data to generate the multipliers, which are applied to reasonable build-out scenarios. Applying the tax rate of $20.24 to the above growth number, results in a tax return of $1,826,228. It should be understood that the development is slated to occur over a period of years, and not within one year, applicable to one tax rate. The purpose of the above number is to determine a reasonable estimate of the incremental increase in taxation, from the current property total values of $10,592,000 for the Potential Redevelopment properties. Using the same tax rate multiplier $20.24 and applying the current values results in a tax value of $214,382.08, which is $1,611,846.00 less than the potential new taxation when considering the growth. What the analysis provides is a clear picture that a considerable potential for an incremental increase in taxation exists, which is the basis to determine the availability of capital for incentives programs.

Conclusions Lower Millyard

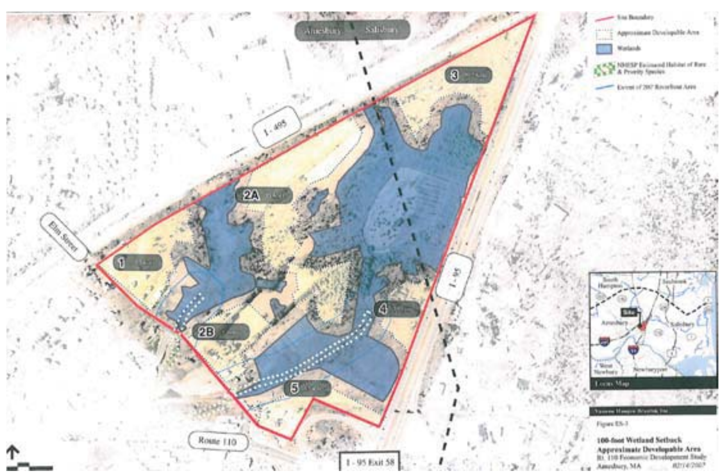
Development incentives are based on the growth in property value from pre-development to post-development. A City uses a portion of that growth to allocate back to the development as an incentive. Without the incentive there will be no tax growth, a portion of increased revenue, is better than nothing. Further, sooner is better than later as the City can begin accruing new growth over a longer period of time. With a possible increase in value of over eight-times the current value ($90,228,660 projected versus $10,592,000 existing) the Lower Mill Yard provides a sufficient increase of potential property value for an incentives program. However, the Lower Mill Yard is comprised of multiple property owners which make a uniform incentives program more complicated. Therefore to solidify the above number and establish a TIF zone these plans require more detail and the City requires more clarity on the TIF program components such as the development of guidelines.

The Golden Triangle

In early 2006, the Town of Amesbury was presented with a proposed development program for the Golden Triangle by a private developer who was interested in developing the parcel. That proposed development program consisted of 407,000 square feet of retail development and 113,000 square feet of office development. The layout for that development maximized retail space square footage by concentrating parking in the center of the site and placing buildings along the perimeter, bordering (and, in many cases, encroaching on) the wetland areas. Although the Town felt the proposed site's layout was not ideal, the development program was of a magnitude that appealed to Town officials; therefore, it was determined that a development program should maximize the potential development for the Golden Triangle site.

In 2007 the City conducted a build-out analysis with funding from the Commonwealth of Massachusetts The study's objective was to evaluate the environmental, land use, and transportation impacts associated with a development of this type and size, determine what roadway and traffic improvements would be needed to mitigate transportation impacts, and determine whether the mitigation program would be palatable for interested developers. If the mitigation was not considered cost effective, or, if the impacts were so great that they could not be mitigated, the objective is then to determine potential development types and sizes that might be accommodated with cost effective mitigation and acceptable impacts. The below text outlines the one of the three scenarios which comprised the Route 110 Economic Development Study in 2007. The spreadsheet shows the possible project values and tax revenue. The intent is, as with the Lower Mill Yard analysis above, to determine the incremental increase in property value growth and the potential for allocation of the increase to fund capital work that will address impediments to the growth.

Golden Triangle Alternative 1



The 46 acres area is a compilation of six smaller parcels that are divided by wetland, riverfront, and rare species habitat buffers. Three of the parcels (labeled 2A, 3, and 4), account for 28 acres, are land-locked, with no access possibilities from Elm Street or other parcels on the site, unless wetlands are disturbed. It is assumed that parcel 5, which is immediately adjacent to the I-95 ramps, will be reserved for future construction of the proposed bicycle trail.

The below spreadsheet provides an assessment of possible development value, based on the particular scenario Alternative 1. In this case, the development will generate over $139 million in value and $2.8 million in annual taxation. As determined from the Assessors Records the property value of $5.5 million generates $112,046 in taxes. The increase is 96% in revenue.

Conclusions Golden Triangle

Development incentives are based on the growth in property value from pre-development to post-development. A City uses a portion of that property value growth to allocate to the development as an incentive. With a possible increase in value of over twenty-five times the current value ($5.3 million versus the lowest increase of $139 million) the Golden Triangle provides a sufficient increase in potential property value for an incentives program. The need for a capital plan for this area is more evident to facilitate the new construction and offsite roadway connections to adjacent highways. The variable factor impacting the development potential is the extent of wetlands impacts. Therefore, the extent of those impacts should be determined at a policy level with the Conservation Commission. This will provide more finite guidance for the build-out analysis and financing plans.

Development Activity/Potential Golden Triangle ALT 1

Table ES-1 Alternative 1 Maximum Development by Size								
Potential Development in Golden Traingle.			A	B	D	E		
		Sq. Ft. /			Cost Per			One Year
Location	Acres	Units per acre	Units	Sq.Ft.	Sq Ft	Value	Tax rate	Tax Revenue
Parcel 1 Retail	7.5	7,000.0		52,500.00	125	$ 6,562,500.00	20.24	$ 132,825.00
Parcel 2A Retail	15	7,000.0		105,000.00	125	$ 13,125,000.00	20.24	$ 265,650.00
Parcel 2B Retail	6	7,000.0		42,000.00	125	$ 5,250,000.00	20.24	$ 106,260.00
Parcel 4 Retail	2.5	7,000.0		17,500.00	125	$ 2,187,500.00	20.24	$ 44,275.00
Parcel 5 Retail	4.5	7,000.0		31,500.00	125	$ 3,937,500.00	20.24	$ 79,695.00
Parcel 1 Office	7.5	15,000.0		112,500.00	135	$ 15,187,500.00	20.24	$ 307,395.00
Parcel 2A Office	15	15,000.0		225,000.00	135	$ 30,375,000.00	20.24	$ 614,790.00
Parcel 2B Office	6	15,000.0		90,000.00	135	$ 12,150,000.00	20.24	$ 245,916.00
Parcel 4 Office	2.5	15,000.0		37,500.00	135	$ 5,062,500.00	20.24	$ 102,465.00
Parcel 5 Office	4.5	15,000.0		67,500.00	135	$ 9,112,500.00	20.24	$ 184,437.00
Parcel 1 Residential	7.5	8.6	64.50	1,000.00	145	$ 9,352,500.00	20.24	$ 189,294.60
Parcel 2A Residential	15	8.6	129.00	1,000.00	145	$ 18,705,000.00	20.24	$ 378,589.20
Parcel 2B Residential	6	8.6	51.60	1,000.00	145	$ 145,000.00	20.24	$ 2,934.80
Parcel 4 Residential	2.5	8.6	21.50	1,000.00	145	$ 3,117,500.00	20.24	$ 63,098.20
Parcel 5 Residential	4.5	8.6	38.70	1,000.00	145	$ 5,611,500.00	20.24	$ 113,576.76
						$ 139,881,500.00		$ 2,831,201.56
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Conclusions Incremental Increase Analysis Section

The potential for growth is clearly evident. The constraints that developments face is well documented. The lack of progress on development sites which are well suited for development represents a decade old issue which will not change without a transformation of the financial approach to growth. The new tax growth available to address development constraints and expedite growth is more than sufficient, while still providing additional revenue for the City. The City has the funds in the form of tax incentives and the development community has the proposals and need for capital to address site constraints. The Lower Millyard and Golden Triangle locations represents the primary target areas that over the past decade have been the focus of the community. However there are many other sites which can be considered as target areas. The missing component is the Guideline mechanism to put the opportunities into one program.

Appendix B:

ECONOMIC DEVELOPMENT INCENTIVE GUIDELINES, ECONOMIC ASSISTANCE COORDINATING COUNCIL MASSACHUSETTS OFFICE OF BUSINESS DEVELOPMENT EXECUTIVE OFFICE OF HOUSING AND ECONOMIC DEVELOPMENT COMMONWEALTH OF MASSACHUSETTS

ECONOMIC ASSISTANCE COORDINATING COUNCIL MASSACHUSETTS OFFICE OF BUSINESS DEVELOPMENT
EXECUTIVE OFFICE OF HOUSING AND ECONOMIC DEVELOPMENT COMMONWEALTH OF MASSACHUSETTS

Economic Development Incentive Program (EDIP) Program Guidelines

Issued by:
Economic Assistance Coordinating Council Massachusetts Office of Business Development 10 Park Plaza, Suite 3730
Boston, Massachusetts 02116
Phone: (617) 973-8536
Fax: (617) 973-8554

These guidelines are issued by the Economic Assistance Coordinating Council pursuant to the authority granted under M.G.L. 23A Section 3B. The guidelines are provided to the public and potential applicants for their information only, and are merely intended to provide illustrative guidance to the application process. The EACC reserves the right to amend, modify, or otherwise alter these guidelines as required, without notice. Applicants to the EDIP should refer to the application form, pertinent regulations and MOBD Regional Directors for further information. Nothing in these guidelines shall restrict the EACC's authority as granted by the EACC and EDIP legislation.

Table of Contents

1. Program Description:

The Economic Development Incentive Program (EDIP) is a tax incentive program designed to foster full-time job creation and stimulate business growth throughout the Commonwealth. Participating companies may receive state and local tax incentives in exchange for full-time job creation, manufacturing job retention, and private investment commitments.

As of January 1, 2010, the Economic Assistance Coordinating Council (EACC) may certify three categories of project for companies that generate substantial sales outside of the Commonwealth and are seeking the EDIP Investment Tax Credit (ITC): full-time job creation and investment projects within Economic Target Areas, projects with exceptional employment growth across the Commonwealth and finally, projects within gateway communities that sustain and grow manufacturing jobs.

The EACC will also consider applications seeking the Abandoned Building Renovation Deduction and municipally supported local real estate tax incentive applications for projects that are not seeking an EDIP- ITC.

2. Definitions:

Please refer to 402 CMR 2.03 for a more detailed list of definitions.

Certified Project – The EACC considers applications by a business intending to develop or expand a project for designation as a "certified project," thereby allowing the business to benefit from the various tax relief programs made available by the EDIP. For information on how the length of the "certified project" may affect the value of state tax benefits, please refer to the Massachusetts Department of Revenue (DOR) Directive 09-4 Effect that the Expiration of a Project's Certification Has on the Economic Opportunity Area Credit.

Economic Opportunity Area or EOA - an area of the Commonwealth, located wholly within an Economic Target Area, which is designated as such by the EACC. In order for an economic development project to apply for state and / or local benefits as a Certified Expansion Project (EP), the proposed project must be located within an EOA. To obtain EOA designation, the municipality must identify appropriate locations for economic development and request the EACC to designate these targeted development areas within the ETA as EOAs. There are no limits to the number of EOAs that may be designated within an ETA. Since an area must be designated as both an ETA and an EOA before the benefits made available under the EDIP can be realized, municipalities may request simultaneous consideration of both ETA and EOA applications by the EACC.

Economic Target Area or ETA - an area of the Commonwealth designated as such by the EACC. More than 200 municipalities (or parts thereof) across the Commonwealth are members of Economic Target Areas as shown on the ETA map www.mass.gov/dbd/edip To obtain ETA designation, the municipality must make a request to the EACC to designate the municipality as an ETA. This designation is based on income, unemployment, and other economic characteristics of the area, and may also be appropriate where the area contains certain special features, as identified in M.G.L. c. 23A, § 3D and in 402 CMR 2.05. The number of ETAs that can exist at any one time in the Commonwealth is limited by state law, as set forth in M.G.L. c. 23A,§ 3E and in special acts of the Legislature. Please contact the appropriate MOBD Regional Director (See Section 8. MOBD Regional Contacts) to discuss the process for applying to become an ETA community.

Exceptional Opportunity Area – At the request of a non-ETA municipality, the Director of the Department of Business Development may designate certain areas of the Commonwealth as "presenting exceptional opportunities for increased economic development," thereby permitting the designation of a TIF Zone within such area, allowing for the municipality to negotiate local tax incentives with a proposed economic development project.

Full-time Employee - an employee, as defined in 402 CMR 2.03: Employee who has been paid by an employer during its taxable year an amount equal to at least the maximum amount of "wages" with respect to which an employer is required to make contributions under M.G.L. c. 151A, § 14.

Gateway Municipality – a municipality with a population greater than 35,000, a median household income below the Commonwealth's average and educational attainment rates that are below the Commonwealth's average, as measured by the most recent American Community Survey (ACS) of the U.S. Bureau of the Census.

Manufacturing Activity – the process of substantially transforming raw or finished materials by hand or machinery, and through human skill and knowledge, into a product possessing a new name, nature and adapted to a new use. In determining whether a process constitutes manufacturing, the EACC will examine the facts and circumstances of each case.

Substantial Sales Outside of the Commonwealth – on an annual basis, at least 25%, or an otherwise reasonable percentage as determined by the EACC, of a controlling business's products or services generated at the facility are sold in the regular course of the controlling business's trade or business to customers located outside of the Commonwealth; provided that, with respect to a facility that serves principally as a corporate headquarters or as a regional administrative office for the controlling business, the above threshold shall be deemed satisfied if at least 25%, or an otherwise reasonable percentage as determined by the EACC, of the controlling business's products or services, wherever generated, are sold in the regular course of the controlling business's trade or business to customers located outside of the Commonwealth.

Middle Tier Community – a municipality with a median household income below the Commonwealth's average and educational attainment rates that are below the Commonwealth's average, as measured by the most recent American Community Survey (ACS) of the U.S. Bureau of the Census.

3. Eligible Projects:

The EACC may certify three categories of project for expanding companies that generate substantial sales outside of the Commonwealth, are retaining and / or creating full-time permanent jobs and are seeking the EDIP Investment Tax Credit (ITC). In consultation with MOBD, the EACC will determine a project's appropriate category.

- **Certified Expansion Project**: A full-time job creation and investment project within an Economic Target Area.
- **Enhanced Expansion Project**: A project with exceptional employment growth of 100 new full-time jobs or more, anywhere in the Commonwealth.
- **Manufacturing Retention & Job Growth Project**: A project within a gateway community that creates at least 25 new full-time manufacturing jobs and/or retains at least 50 full-time manufacturing jobs.

Certified Expansion Project (EP):
In return for full-time job creation and private investment commitments, the EACC may certify Expansion Projects (EP) within Economic Target Area communities and award up to a 10% EDIP- Investment Tax Credit (ITC) to support the project. EP are most similar to those EDIP Projects certified prior to January 1, 2010, however EP must have substantial sales outside of the Commonwealth. A municipally driven, three-stage process is required for an EP (the first two stages may have been completed ahead of the project application):

- The city or town must be an ETA community,
- The proposed project location must be within an EOA, and
- The project must receive municipal approval of local tax incentives (either Tax Increment Financing (TIF) or a Special Tax Assessment (STA)) and municipal approval of the Certified EP prior to being considered by the EACC.

Enhanced Expansion Project (EEP):
The EACC may certify Enhanced Expansion Projects (EEP) that will create at least 100 new full-time, permanent jobs in the Commonwealth within two years of receiving an EDIP-ITC incentive and be retained for at least 5 years. EEP that will strengthen the Massachusetts economy and contribute to the Commonwealth's fiscal health may be considered for an EDIP-ITC incentive of up to 10% eligible capital investment. The project may also seek local tax incentives if proposed in an ETA community or if a non- ETA community supports an Exceptional Opportunity.

Manufacturing Retention & Job Growth Project (MRP):
The EACC may certify Manufacturing Retention & Job Growth Projects (MRP) that will create at least 25 new manufacturing jobs and / or maintain at least 50 full-time, permanent manufacturing jobs for at least 5 years in a gateway community. The project must receive municipal approval of the MRP prior to being considered by the EACC and may also seek local tax incentives from the city or town.

Other Projects:

The EACC may also approve applications that can provide the following incentives for projects not necessarily seeking an investment tax credit:

- **Abandoned Building Renovation Deduction:** A corporate excise deduction or a personal income tax deduction equal to 10% of the cost of renovating an abandoned building, defined as being at least 75% vacant for 24 months or more, within an EOA.
- **Local Tax Incentives:** A municipally supported project seeking the real property tax benefits available under a tax increment financing plan and the tax exemption for personal property situated at a parcel receiving a tax increment financing exemption; or, as an alternative, a special real property tax assessment schedule.

4. Application Process and Deadlines

Potential certified project applicants must work with their MOBD Regional Director (see Section 8. MOBD Regional Contacts) from the earliest point possible to discuss project parameters and eligibility for consideration under the Economic Development Incentive Program.

Important elements in the application process, for companies, include:

i. Participate in an introductory meeting with the MOBD Regional Director.

ii. Work with the MOBD Regional Director to introduce the project to the municipality and ultimately seek local approvals, where necessary.

iii. Send a "Letter of Intent" to the municipality, and copied to the MOBD Regional Director, in which the proposed project will be located indicating an interest in applying to the Economic Development Incentive Program and providing pertinent project details.

iv. Complete and return the EDIP Preliminary Application by the published deadline. Please provide an electronic copy to the MOBD Regional Director for review and upon invitation of the Regional Director send an original hard copy: Attn: EDIP Project Manager, MOBD, 10 Park Plaza, Suite 3730, Boston, MA 02116.

v. Following review and upon the invitation of the MOBD Regional Director, complete and return the EDIP Supplementary Application. The Supplementary Application requires the submission of supportive data, analyses and a definitive project timeline. Please provide an electronic copy to the MOBD Regional Director and send an original hard copy: Attn: EDIP Project Manager, MOBD, 10 Park Plaza, Suite 3730, Boston, MA 02116.

vi. If applicable, submit local approvals and agreements to the MOBD Regional Director. All application materials must be submitted prior to the published deadlines. Incomplete applications will not be considered.

vii. Upon invitation, attend a meeting of the Economic Assistance Coordinating Council to present project details and request project certification.

The EACC plans to meet on a quarterly basis. Please check with your MOBD Regional Director for the deadline to submit application materials. The EACC reserves the right to seek additional information from applicants and to defer project consideration.

5. Application Review:

The EACC will consider project certification and make EDIP-ITC awards based on the merits of individual projects and will take into consideration the jobs impact, project location, industry and resulting economic activity. Support of sustainable manufacturing projects and investment within middle tier or gateway communities are key program objectives. Please work with your MOBD Regional Director (See Section 8. MOBD Regional Contacts) to better understand the range of ITC award that might be available.

Please note that when other state incentives are available to the project (including, but not limited to the Manufacturing / Research & Development 3% Investment Tax Credit or the Life Sciences Investment Tax Credit), the EACC will take any resulting benefits into consideration during its review.

6. **Award Process:**

Unless the EACC determines that additional information is required, then the EACC will generally make decisions on project certification during their scheduled meetings. Projects will receive written notification of the EDIP-ITC award after the EACC meeting, usually within 48 hours. The award will include a timeline for taking the EDIP-ITC in specific tax years. If awardees are unable to take the EDIP-ITC according to the agreed timeline then the EACC will try to accommodate the changed project timeline, however reserves the right to rescind the EDIP-ITC award.

7. **Monitoring Process:**

At the end of each year, certified projects are required to submit a report to the EACC and to the municipality in which the project is located. The EACC reviews each project for compliance with job and investment goals, per MGL Ch.23A and 402 CMR 2.00 and requires confirmation of the EDIP-ITC utilization schedule. Please note that failure to submit the annual report to the EACC is grounds for project decertification.

8. **MOBD Regional Contacts:**

Northeast
Peter Milano, Senior Regional Director Massachusetts Office of Business Development 29 South Canal Street, Suite 107
Lawrence, MA 1843
Phone: (978) 970-1193
Fax: (978) 794-1611
Email: Peter.Milano-sea@state.ma.us

9. **Statutory and Regulatory References**

Please refer to the following (non-inclusive) references:

The EACC, ETAs, EOAs and Certified Projects:

- MGL Chapter 23A: Section 3A-3F
- Chapter 166 of the Acts of 2009
- Chapter 240 of the Acts of 2010
- 402 CMR 2.00

The EDIP-Investment Tax Credit:

- MGL Chapter 23A: Sections 3A-3F
- MGL Chapter 63: Section 38N
- MGL Chapter 63: Section 31A
- 830 CMR 63.38 N.1
- Department of Revenue Informational Guideline Release No. 94-201
- Department Of Revenue Directive 09-4: Effect that the Expiration of a Project's Certification has on the Economic Opportunity Area Credit
- Department of Revenue Technical Information Release (2010)

Tax Increment Financing:

- MGL Chapter 40: Section 59
- MGL Chapter 59: Section 5, Paragraph 51
- 760 CMR 22.00

Abandoned Building Renovation Deduction:

- MGL Chapter 63: Section 38O

Tax Increment Financing (TIF)

http://www.mass.gov/hed/business/incentives/tax-increment-financing-tif.html

Local Real Estate Tax Exemption:

- Massachusetts' version of Tax Increment Financing allows municipalities to provide flexible targeted incentives to stimulate job-creating development.
- Negotiated Agreement between business and host municipality;
- 5 year minimum, 20 year maximum or anything in between;
- Business pays full tax rate on the "base value";
- Exemption from property taxation on all or part of the increased value accrued as a result of development (the "increment");
- Percentage of exemption may range from 5% to 100%;
- Personal property tax exemption for both existing and new property;
- M.G.L. 40 § 59 governs all TIF Agreements.

The TIF Plan

- The TIF Plan, completed by the municipality, describes proposed public and private investment in the TIF Zone, and is agreed upon by the municipality and all the private owners in the TIF Zone. The municipality and the prospective Certified Project candidate agree to a property tax exemption based on a percentage of the value added through new construction or significant improvement for a period of no less than five and no more than twenty years. The real estate taxes generated by the new increased assessed value are then allocated by the agreed-upon percentage of value added to one or more of three categories.

- The categories are:

  - Exemption from real estate taxes.
  - Payment of real estate taxes.
  - Payment of betterment fee in lieu of real estate taxes to finance related infrastructure.
  - Each category, if necessary, may change from year to year. The percentage of allocation is calculated in a formal, negotiated agreement between the municipality and the Certified Project candidate. TIF serves to pass the tax savings on to property owners for use in project development, while ensuring that the development risk is borne by those parties as well.